Global Reporting Initiative™

GRI Research & Development

ORGANIZATIONAL STAKEHOLDERS SHARE THEIR REPORTING EXPERIENCES

The Knowledge Share Project **Portfolio**

REPORTING PRACTICES

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GRI VISION

A sustainable global economy where organizations manage their economic, environmental, social and governance performance and impacts responsibly and report transparently.

GRI MISSION

To make sustainability reporting standard practice by providing guidance and support to organizations.

PUBLICATION

Publications in the GRI Research and Development Series are presented in three categories: Topics, Reporting Practices, and Tools. The Knowledge Share Project Portfolio falls under the Reporting Practices category.

DEVELOPED BY

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Mark Bakker, *scribbledesign.nl*
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INTRODUCTION

Welcome to The Organizational Stakeholder Knowledge Share Project Portfolio

GRI's Organizational Stakeholder (OS) program unites hundreds of organizations that are committed to the transparent reporting of their sustainability performance. OS support GRI and endorse its mission and vision. Yet it is important to remember that - alongside their contribution to GRI – many OS are among the world's most experienced sustainability reporters.

Throughout 2011, GRI's OS Knowledge Share Project showcased the reporting practices of some of the longest-standing participants in the program. Each month, different reporting topics were covered in online chapters and conferences, available exclusively to OS. Their insights have now been collected in this special publication. The Knowledge Share Project Portfolio shares reporting skills and knowledge with other reporters, and with all those involved in the fast-changing field of sustainability reporting.

Now is a great time to underline the progress that has been achieved by these pioneering organizations. And so the Knowledge Share Project is more than a sharing of expertise – it is also a 'thank you' and a celebration. OS have taken a leadership position and helped to progress sustainability reporting from an experimental activity to a potentially mainstream business and management resource. The energy they have devoted to sustainability reporting inspires GRI; I hope that it inspires you.

Nikki McKean-Wood – *Manager, Organizational Stakeholder program*

INFO

Any organization that is committed to improving its sustainability performance, and advancing the reporting agenda, is eligible to become an OS - and gain access to many benefits and services.

Email **os@globalreporting.org** or visit **www.globalreporting.org**

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CREDITS
Nina Collinson, *IAG*
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REPORTING PRINCIPLES FOR DEFINING REPORT CONTENT

IAG: Principles in practice

A sustainability report should be a balanced and reasonable presentation of an organization's performance. All reporting organizations must decide the content necessary for achieving this goal. The chosen content should be relevant for an organization's purpose and experience, and reflect the interests and expectations of its stakeholders.

Identifying the topics that are relevant for a sustainability report, and prioritizing those topics as material, is a challenge for many reporting organizations. Defining report content correctly is crucial in making sustainability reporting a valuable exercise, for reporting organizations and report users.

GRI's Reporting Guidelines feature four Reporting Principles for Defining Content – Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness. GRI's guidance for employing these Principles was expanded recently. The new Technical Protocol – Applying the Report Content Principles has been designed to help reporters produce relevant repoerts more easily, optimizing the quality and value of their reporting.

Could you firstly give a general description of working with GRI's Reporting Principles: Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness. How have they helped you report and what challenges have they thrown up?
IAG has reported using the GRI Reporting Principles for a number of years, and finds them as relevant today, when we are a relatively seasoned reporter, as when we first started reporting in 2004. The principle challenge for us as a reporter is to answer some key questions: who are we writing the report for and what would they like to know? How does what we do fit into the bigger picture? Have we provided all of the information that is relevant? Having clear answers to these questions ensures we produce a report that is meaningful and relevant for our stakeholders.

At IAG, going through this process also helps us to assess how we manage our business on a day-to-day basis, ensuring that we are focusing on the key risks and opportunities, and meeting our stakeholders' expectations.

Challenges will always arise, especially for first time reporters: are you clear about how to assess what is considered material? If you have a large number of stakeholders – as we do at IAG - how do you produce a report that includes all of them, and should you?
Over time, and with robust stakeholder engagement processes, the assessments and judgements required become clearer, although we believe that there is always an opportunity to build on what has been done previously and strive for continuous improvement.

The Principle of Sustainability Context is based on the relationship between sustainability and an organization's strategy. Can you describe that relationship for IAG?
Our approach to sustainability is central to our on-going success as an organization. The basis of IAG's approach is to make sure today's decisions are made with a view to tomorrow, focussing on the areas which have a direct bearing on our ability to remain strong and profitable into the future. We cannot do this without taking into consideration our impact on the broader environment – and by this we mean not just all things green, but market conditions and stakeholder expectations – and the broader environment's impact on us.

Our commitment to building a sustainable

The Featured OS | Global Reporting Initiative Organizational Stakeholder 2011

Insurance Australia Group Limited (IAG) is an international insurance group with operations in Australia, New Zealand, the UK and Asia. IAG's businesses underwrite around $7.8 billion of premium every year, and employ nearly 13,000 people.

IAG considers ethical conduct to be an integral component of successful long term business. The IAG Code of Ethics guides its own employees in 'making good, informed business decisions and acting on them with integrity.' IAG also provides mechanisms to allow its employees to raise ethical concerns.

IAG's approach to business sustainability is based on five interdependent 'sustainability levers'. 'Customer', 'Workforce', 'Community' and 'Environment' all feed the central lever of the 'Economic', and IAG is committed to reporting annually on each of these factors. As one might expect, IAG also has a robust approach to risk management. IAG's approach to challenges and opportunities focuses on such issues as diverse workforce, market conditions after financial crisis, and adapting to a changing environment.

IAG became Organizational Stakeholders in 2004. Experienced GRI reporters, IAG aims to ensure that its reports present relevant and material information to stakeholders. **In this chapter, Nina Collinson (Senior Manager, Sustainability) discusses the practical side of applying GRI's Reporting Principles for Defining Content.**

group informs everything that we do – how we build on the economic foundations that we've laid, the working environment and development opportunities we provide for our people, our relationship with our customers, our approach to managing environmental risks and impacts and our commitment to the communities in which we operate.

At IAG, sustainability is embedded within our organization's strategy: the objective of our strategy is to ensure that we have a sustainable business, which can meet the needs of our stakeholders and deliver value into the future.

Report Boundary, covered in the Principle of Completeness, is concerned with the scope of an organization's influence and therefore its report content. How does IAG assess and define the entities it controls or significantly influences?
We take a two-tiered approach to making an assessment about the entities that we control and influence. Firstly, on a practical level, we make an assessment using our company structure to determine the organizations over which IAG has operational control. This provides the foundation for determining our reporting boundary.

We then take a step back, and consider not just operational control, but influence. This requires an assessment of the nature of the ownership and relationships that we have with companies that are strictly in our company structure, as well as looking more broadly at any influence that we might have both up-stream and down-stream from our operations.

GRI's new Technical Protocol states that it is vital for an organization's senior decision-makers to agree and sign off the process of deciding material topics. What is IAG's experience of senior management buy-in when determining material topics?
Given the way that sustainability is embedded at IAG, we are always quite clear internally about what our material issues are. The process for determining material issues is driven through a mature risk management framework that is owned by our businesses. Businesses' ownership of this framework and process ensures our senior managers are always aware of what our material topics are: their roles require them to understand the key risks and opportunities for the business.

The material issues we talk about in our sustainability report are the same as the issues that are addressed day-to-day in our business. To ensure our senior managers agree that we are reporting on our key material topics, we hold one-on-one meetings with each of the business unit CEOs, to get their direct feedback and input.

"The material issues we talk about in our sustainability report are the same as the issues that are addressed day-to-day in our business."

GRI also requests that the process and decision making for deciding material topics is disclosed. Has IAG experienced difficulties associated with disclosing this decision making process?
IAG has not experienced any significant issues with disclosing our approach. We make it clear that we continue to use GRI's guidance as the basis to determine the content of the report. However, we supplement this with our Corporate Strategy, group performance during the year, and the risks and opportunities identified through our risk management framework.

GRI understands that IAG's next sustainability report will be stripped down, shorter. Why? And are the Reporting Principles assisting in this editing of your disclosure?
IAG wants to make our sustainability report as meaningful and useful as possible to our stakeholders. We believe we can best achieve this by focusing on the key issues and topics that will help inform them about what we do and how we do it, to assist them in making a decision about us as a company.

Feedback that we have received suggests that providing a very detailed report that covers a large number of topics can actually be off-putting for readers; they want to be able to find the answers to key questions quickly, and for us to clearly set out the challenges and opportunities, and how we are meeting them, to ensure that we are a sustainable organisation.

This does present challenges – there will always be some stakeholders interested in topics that may not be covered into the annual sustainability report. Our approach is to consider whether there are other areas where we can address these topics, or other ways that we can respond to specific stakeholders. The GRI Reporting Principles are vital in helping us assess what a meaningful yet succinct report will look like for IAG and our stakeholders.

Australia's recent floods impact IAG and its customers; it is an 'instant' material topic. Are IAG's reporting cycle, and systems for deciding report content, always ready to factor in a new priority topic like this?
Absolutely – the process by which a business identifies report content must be flexible and dynamic. More importantly, however, the process by which we determine material issues that we manage on a day-to-day basis in our business must be dynamic and flexible enough to accommodate 'new' issues.

Whilst there will likely be a core of common themes from one year to the next (as businesses tend not to change their context that significantly), there may be specific issues that arise in any particular year, driven by factors such as how the group has performed, a change in strategy, or an environmental requirement. We draw on a large number of sources to inform our risk management framework and our strategy so there is always room to consider a new priority.

This is fundamental to being a sustainable business, not just to generating a relevant and meaningful sustainability report.

How does assurance relate to IAG's use of the Reporting Principles?
Assurance is a crucial part of IAG's Sustainability Reporting process. We have our sustainability report assured to reassure our stakeholders that our reporting is robust and that they can be confident about the information that we are providing to them. We have chosen to be assured against the AA1000 APS, which holds us accountable for our management, performance and reporting on business sustainability issues. For IAG, the assurance process demonstrates that we want to be, and have been, held accountable to these principles and our stakeholders. We also view the assurance process as a great way to challenge the way that we are doing things, and provide us with more feedback on how we can continually improve our process and our report.

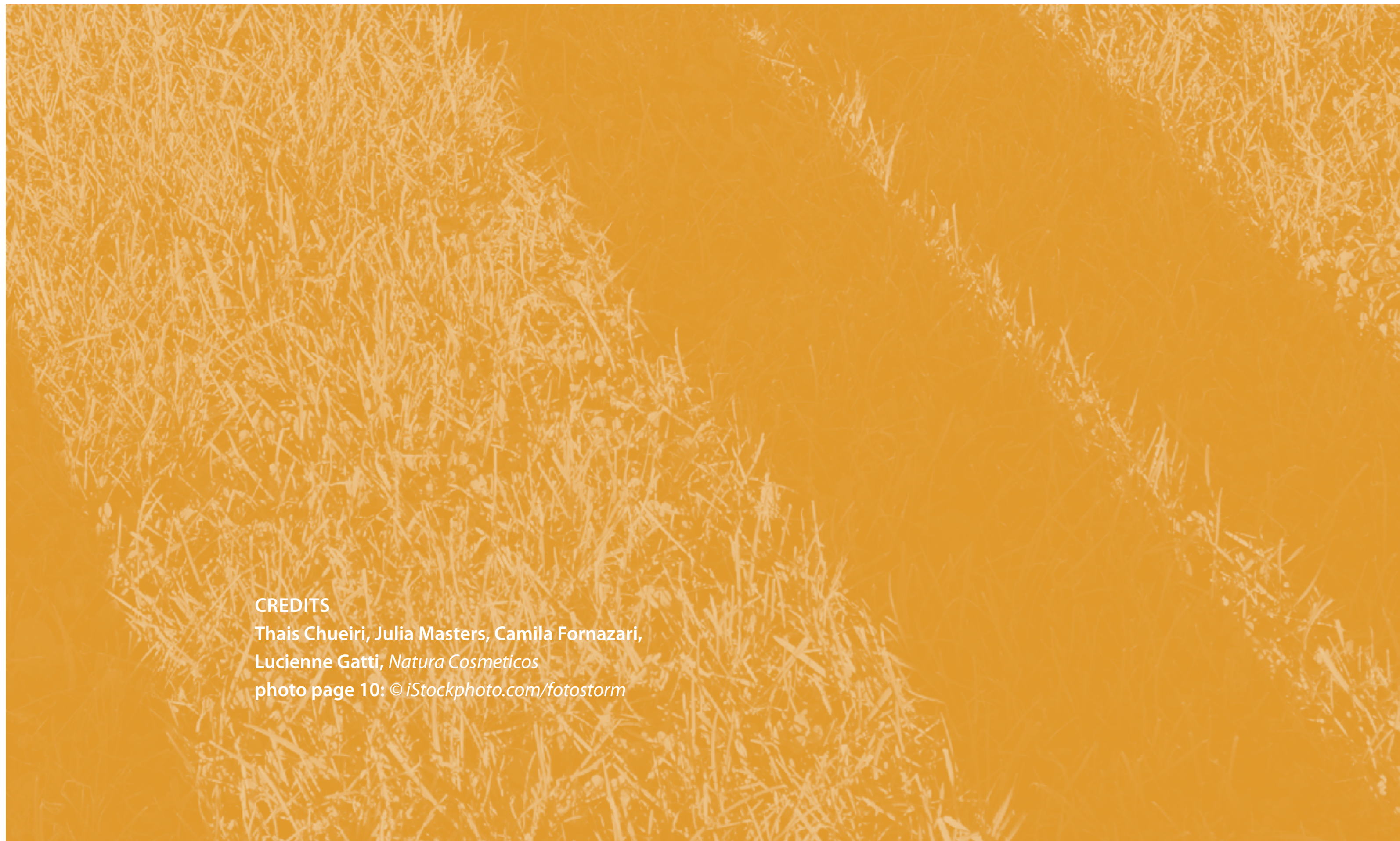
LINKS

To view IAG's most recent reports, visit **www.iag.com.au**

STAKEHOLDER ENGAGEMENT

Considering dialogue and strategy, with Natura Cosmeticos

How do you engage your stakeholders? (part one)



CREDITS
Thais Chueiri, Julia Masters, Camila Fornazari, Lucienne Gatti, *Natura Cosmeticos*
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STAKEHOLDER ENGAGEMENT

Considering dialogue and strategy, with Natura Cosmeticos

Stakeholder engagement is a key element of GRI's Sustainability Reporting Guidelines, a fact reflected in the Guidelines' own development. Ongoing multi-stakeholder engagement informs organization's reports, strategies and operations.

What ongoing stakeholder engagement channels does Natura have in place?
Natura has many channels for stakeholder engagement, spread across different departments and teams. Since the '70s we have
been developing means to talk with our stakeholders. Now almost every group of our stakeholders has a team to manage that relationship. In 2008 we formalized a relationship process and created the Quality of Relationships Committee, which has formulated relationship guidelines for all publics. We also have an Ombudsman's Office for internal stakeholders, suppliers, and consultants.

Every year Dialogue Panels canvas stakeholders on issues deemed material, for both Natura and sustainability in general; in 2010 around 1000 people took part in 22 multi-stakeholder and specific group panels.

Our various new media platforms include the use of Wiki Reports, online forums and roundtables, an internal social media network for employees with 2500 members (Natura Us), a public network with some 10 000 members (Natura Connects), and a Consultant's Blog.

What was Natura's understanding of stakeholder engagement prior to beginning reporting using the GRI Guidelines?
Natura's trajectory has always been characterized by the commitment to establish, maintain and enhance relationships, guided by ongoing dialogue. It is part of the company's essence and an intrinsic part of its business. Natura's 2010 Annual Report stated, 'the quality of relationships should always be high on our agenda. This requires a collective effort to approach and engage in continuous dialogue with all stakeholders.'

It is important to clarify that the engagement process takes place separately from the reporting process as it is seen as one of Natura's most important strategic planning tools.

Reporters using the GRI Guidelines are asked to identify 'key' stakeholders, not always a straightforward task. What is Natura's perception of its 'key' stakeholders – how are they identified and prioritized?
Natura sees key stakeholders as those who are building its brand. Namely employees, consultants, consumers, suppliers and supplier communities, local communities, ecosystems, governments, and shareholders.

Tell us about the Ombudsman's Office.
The Ombudsman's office was created in 2006 to establish a dialogue channel between the company and its internal stakeholders from Brazil and other Latin American countries, suppliers, and in some cases consultants related to Brazilian operations, to help ensure that the company is upholding relationship principles. The Office is linked to the office of the Senior VP for Organizational Development and Sustainability. It receives comments and complaints, shares them with the departments concerned, and works to find solutions.

Contact with the Ombudsman's Office is increasing year on year. In 2009 over 1000 Brazilian employees used the Office. A satisfaction survey was conducted; 98% were satisfied with it as a dialogue channel.

What form do the Dialogue Panels take?
In the Dialogue Panels, stakeholders are asked to discuss the company's critical issues and strategic priorities, identify opportunities for improving management and relationships, and co-create Natura's projects. As well as multi-stakeholder sessions, some Panels see stakeholders grouped into targeted categories such as Surrounding Communities, Supplier Communities, Specialists in Biodiversity, Specialists in annual reports, Employees, and Consumers.

The Dialogue Panels are a tool to support the Quality of Relationships. Together with the teams concerned, the Quality of Relationships office co-creates an annual plan for the evolution of relationships with each of our stakeholders. So the themes of the Dialogue Panels vary according to the plan developed for each stakeholder. Even so, sometimes Natura will introduce a topic even though it is not deemed highly material among stakeholders; this was the case in 2009 with the issue of the Amazon, which Natura sees as a critical topic, and so it was included in the Materiality Matrix.

For organizations, determining material issues for inclusion in stakeholder engagement, and in a report itself, can be complicated. How does Natura use its Materiality Matrix?
We use a biannual cycle to prioritize topics, but a detailed breakdown of the macro-issues raised is performed annually. We increase feedback on the suggested topics by using our website and the Natura Connects social

COMMENTARY

The Commentary for this chapter comes from Chris Würdemann, Manager of CR Reporting and Engagement at ING Group.

It seems Natura is committed to engage actively with stakeholders, listen to them and build a relationship with them, with the ultimate aim of improving business planning and performance. A good example of this is the way they go about managing biodiversity assets. They indicate that they involve suppliers, NGOs and governments in their efforts to find solutions for the balanced use of natural resources. This touches on the core of their business as a producer of cosmetics. We believe that this is what stakeholder engagement is about: it is not only listening to stakeholders, but also giving them a genuine and explicit role in the strategic direction of the company.

"Natura believes in expanding the potential of collective intelligence by maximizing virtual interaction. We have innovated and invested heavily to broaden stakeholder interface."

The Featured OS

Natura is a leading Brazilian manufacturer of cosmetics, skin care and beauty products, with an operational and commercial reach across Latin America and France. Founded in 1969, and becoming a public company in 2004, Natura's economic model is aimed at sustainability, seeking to meet social and environmental challenges with solutions that generate economic growth.

To reduce the impact of their products, the company has invested in using more plant and organic substances in product formulas. In packaging, Natura offers the use of refills and uses recyclable and recycled materials.

Natura's business model is direct sales. More than 1.5 million 'consultants' sell Natura's product lines, including the Believing Is Seeing range, where profits are invested in educational projects in public schools to encourage reading and writing. Natura seeks to positively influence its stakeholders and work together 'for the transformation of society'.

Natura have been a GRI Organizational Stakeholder since 2004. The company's Executive Committee includes the office of Senior Vice President of Organizational Development and Sustainability. Natura began their sustainability reporting journey in 2000 using the G1 Guidelines, and have published a report every year since. From 2008 Natura's reports have been declared as A+ Level, externally assured, and had their Application Level checked by GRI.

In this chapter of the OS Knowledge Share Project, Camila Fornazari from the Quality of Relationships office and Lucienne Gatti from the Sustainability office share their insight on stakeholder engagement.

> "A distinguishing feature of the biodiversity specialists' Dialogue Panel was that rather than concentrating on the issue of biodiversity for Natura, the main subject was the whole context of the conservation and sustainable use of biodiversity in Brazil."

network. Topics are then rated in terms of their importance to external stakeholders and their importance to Natura.

For our 2009 engagement, the crossover in materiality was assessed to be in the following areas: Biodiversity, Greenhouse gases, Quality of Relationships, Impacts of Products, and Education. Natura sees the Amazon as a key factor in Brazil's development, although it was not a topic rated highly by our stakeholders, and so it was included in stakeholder engagement as a high-priority sustainability topic. This is where much of the dialogue and ensuing projects were focused.

Using these themes we developed the Wiki Report in 2009. We used the Natura Connects platform to ask our stakeholders about their thoughts and expectations. Stakeholders showed great interest in, and concern over, Impacts of Products; specifically, reverse logistics and waste management. This concern was raised with senior management, who included it in the company's strategic planning, with the first initiatives appearing in 2010. So based on multi-stakeholder Dialogue Panels, Natura initiated a program for reducing waste and implementing a reverse logistics system for the large scale return of used packaging.

How does Natura use technology and new media in stakeholder engagement?

Natura believes in expanding the potential of collective intelligence by maximizing virtual interaction. We have innovated and invested heavily to broaden stakeholder interface. Our main social network is Natura Connects, available to everyone who is interested. This platform includes lectures, roundtables with videos broadcast online, and Wiki Shops – virtual discussions with open chat rooms. In 2009, through Natura Connects, we held 19 Wiki Shops.

Through this network, Natura has been able to map and discuss topics of interest to our stakeholders. One Natura Connects initiative was the collaborative writing of a company policy document. The idea was to turn our Annual Report into a living document used for communicating and ongoing stakeholder dialogue. Virtual discussion forums were held, and the results compiled in a message called The Natura We Share. This was then approved and signed by the participants, becoming effectively a collaborative mission statement for Natura, developed online.

Current reporting trends in stakeholder engagement see an emphasis on stake-holders who cannot identify or speak for themselves; flora, future generations, ecosystems. How does Natura factor in these 'silent' stakeholders?

The sustainable use of biodiversity is extremely significant for Natura's business. And the destruction of biodiversity is a major threat to life on our planet. So with respect to biodiversity, Natura brought in specialists to discuss the issues. There is a relationship between the silent stakeholder's and the company's interests.

A distinguishing feature of the biodiversity specialists' Dialogue Panel was that rather than concentrating on the issue of biodiversity for Natura, the main subject was the whole context of the conservation and sustainable use of biodiversity in Brazil. Based on these discussions Natura hopes to develop a solution, together with the supplier base, NGOs and governments, that involves the sustainable cultivation of assets in the Amazon region.

Anything to add about Natura's stakeholder engagement and reporting?

The next Annual Report will include the results of much of 2010's stakeholder engagement and relationship performance indicators. Natura's stakeholder engagement is reflected in its management and takes place separately from the sustainability reporting process. Critical issues and strategic priorities are discussed with our stakeholders to co-create projects and planning. Information for our reports is taken from the ongoing stakeholder dialogue channels and programs.

Natura sees our engagement process as one of the most important tools to develop strategies. The results of the discussions with our stakeholders are addressed to the high executives of the company, shaping strategy and decision making at the most senior level.

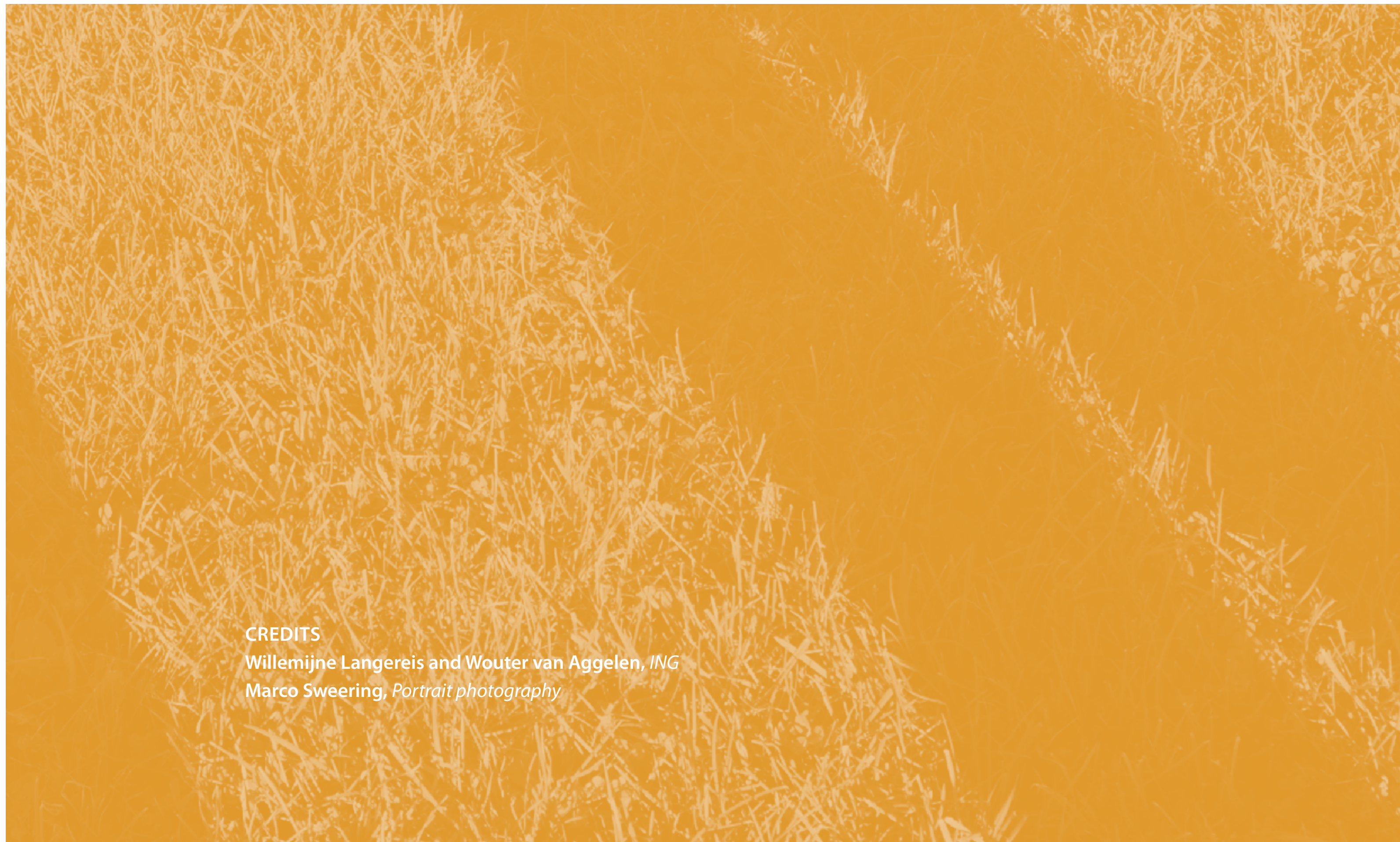
LINKS

Find Natura's most recent Annual Report here:
www.natura.net

STAKEHOLDER ENGAGEMENT

Reporting for all, with ING

How do you engage your stakeholders? (part two)



CREDITS
Willemijne Langereis and Wouter van Aggelen, *ING*
Marco Sweering, *Portrait photography*

STAKEHOLDER ENGAGEMENT

Reporting for all, with ING

ING's main focus is its customers. In terms of stakeholder engagement, the Group makes this explicit in its statements: *'Only by meeting and exceeding our customer's expectation first do we have the opportunity to satisfy the needs of our other stakeholders.'*

From this starting point, ING has acquired many years' experience in addressing diverse stakeholder groups and channeling their input into its business model and operations.

Can you give us an overview of all your stakeholder engagement channels and processes?
Stakeholder engagement has always been an important element of ING's business and communications strategy. This is illustrated in the way we name our sustainability report 'ING in Society'. The reason for this is clear: to earn and maintain the trust of our customers and other stakeholders, optimal alignment of our commercial and business decisions with our responsibilities towards them is absolutely essential. By enabling our clients to build a sound financial reality while conducting our business mindfully, we endeavour to confirm the trust that society places in us. This trust is earned through consistent performance and the knowledge that our financial and non-financial interests are aligned with those of our stakeholders. For a company of ING's size, specifying all stakeholder engagement channels and processes is impossible, but we can concentrate on the broader picture.

Given the intensity, scale and scope of our direct and indirect contacts with stakeholders, and in particular in the light of the ongoing worldwide debate on the future of the financial industry, it is imperative to effectively coordinate all communications and stakeholder engagement activities carried out by the various teams involved. This means at corporate level, in media and public relations, public and government affairs, investor relations and sustainability; and at ING Netherlands level - public relations NL, external relations NL and public affairs NL.

We have therefore set up a coordinating committee for stakeholder engagement, which has developed an integrated stakeholder engagement process. This coordinating committee provides regular updates to ING's Executive Board, it aligns its approach and activities with the company's business strategy, develops proposals for ING's positioning on all themes relevant for the company and its stakeholders (including environmental, social, ethical and regulatory issues), and ensures effective and comprehensive reporting to external stakeholders. In recognition of the fact that there is no such thing as a "one size fits all approach" with respect to stakeholder engagement, we try to ensure that our approach is optimally aligned with their respective needs. We have structured our stakeholder engagement activities so that all stakeholders should have a clear view of the person and department within the company that is mostly responsible for contacts with them - i.e., clear account management, where possible ensuring single points of contact.

Our instruments for stakeholder engagement include: financial information sessions for private and corporate clients; broader stakeholder dialogue sessions on current topics; representations in various international bodies; round table sessions with policy makers and academics; technical briefing sessions for journalists, raters, and analysts; frequent bilateral contacts with regulatory and government authorities, non-governmental organisations, scientists and social partners; press conferences (e.g., at publication of quarterly financial and other results, and whenever strategically relevant announcements are to be made); conference calls for senior management and electronic toolkits for other staff; proactive external positioning of Board members and selected senior managers in media and external forums; frequent conference calls and road shows for analysts, raters and investors, and many more.

Defining key (or priority) stakeholders is important for a GRI reporting process. Who are ING's key stakeholders and how are they defined?
Our customers are our reason to exist. We strive to be a partner that delivers on its promises and is easy to deal with. Only by meeting and exceeding our customer's expectation first do we have the opportunity to satisfy the needs of our other stakeholders.

Our employees are the ones that make it happen. We invest in their personal development and aim to provide each with a stimulating, healthy and safe work environment. We appreciate effort and reward results.

Our shareholders invest in our company. We aim for solid performance and are committed to increasing long-term shareholder value.

Our business relations and suppliers are our partners. We treat them with respect and deal with them fairly. We expect the same in return.

Society at large includes members of the communities in which we operate such as governments, regulatory authorities, nongovernmental organisations, industry groups and multilateral organisations. They provide our licence to operate and determine our long-term success. We are committed to being a good corporate citizen.

Do you use any agreed standards (such as AccountAbility's) for stakeholder engagement?
We develop our own standards and procedures and ensure and verify alignment of these standards with GRI's Guidelines and regulatory requirements.

How has GRI reporting influenced your stakeholder engagement?
ING has been a participant in GRI's activities from the earliest days, so ever since GRI devised its guidance regarding stakeholder engagement, we have implemented it in our business activities and other operations.

What are ING's methods for accounting for "silent stakeholders" – flora, fauna, ecosystems, remote communities, and so on?
Our Business Principles set the tone for how we conduct our activities. We take a clear stand on ethical, social and environmental issues and aim to mitigate the harm that might result from our activities. Our positions on key social and environmental issues are in line with international standards, such as the Universal Declaration of Human Rights and the principles of the UN Global Compact. We have implemented a clear Environmental and Social Risk Policy Framework throughout our operations to avoid involvement in illegal, harmful or unethical practices. To assess whether the impact of our business activities is consistent with our approach to sustainability, the sector and company profile of each new business client coming to our company is screened according to our environmental and social risk policies. The outcome of the screening is a 'proceed', 'decline' or 'proceed with conditions' advice. If the business relationship proceeds, the screening is repeated annually.

Through this framework we also help clients improve their sustainability performance. Conscious of our role in addressing social and environmental issues, we have community investment initiatives promoting financial and other education, inclusion, and environmental preservation. Furthermore, we believe responsibility also means using our sphere of influence to promote positive change. Crucially, we integrate environmental and social responsibility in our daily business practice by offering sustainable products and services as standard options. Accordingly, we share our knowledge and expertise to enable customers to make better informed decisions about investing in sustainable businesses, and by actively stepping up our own financing efforts in this field.

The Featured OS

Global Reporting Initiative™ Organizational Stakeholder 2011

ING is a global financial institution of Dutch origin, offering banking, investment, life insurance and pension services.

ING is the largest banking, financial services and insurance conglomerate in the world by revenue. The Group is also the world's 12th largest corporation by revenue, according to the Global Fortune 500. ING serves some 80 million individual and institutional clients in more than 45 countries, and has a worldwide workforce of some 100,000 people.

ING became GRI Organizational Stakeholders in 2003. The Group has had systems in place since 1995 to monitor its ethical, social and environmental performance.

ING frames its current sustainability strategy in this context: "We aim to pursue a profit, but not at any cost. For instance not at the cost of the environment and biodiversity, nor at the expense of people or human rights. Wherever we operate, we want to take part in society in a positive and responsible way. As a global financial services company our business impacts all regions of the economy and all parts of the world. We feel responsible for using this influence to achieve environmental and social change. In fact, we are convinced that business that is not founded on a clear sense of sustainability will not succeed in the long run."

As part of its sustainability focus in finance and investments, ING has developed policy for an extensive list of topical and controversial issues. These range from animal testing, environmental and social risk, and forestry through to oil and gas usage, gambling, and pornography. ING's stakeholders are the main audience, and influencers, of this policy development.

In this chapter of the Knowledge Share, Willemijne Langereis and Wouter van Aggelen (ING Sustainability) talk stakeholder engagement.

Can you give examples of when stakeholder engagement has changed your business model and operations?
In early 2009, the financial crisis and its impact on ING fuelled the need for an intensification of our then existing stakeholder engagement activities, in particular given the shifting needs and increased expectations, demands and influence of various stakeholder groups - especially customers, policymakers, politicians and Dutch society. This need was felt internationally and particularly also in our Dutch home market - given ING's specific role as the largest international financial institution in The Netherlands, and the state support it received during the financial crisis. To restore trust and seek feedback on our company's performance in the light of the financial crisis, we launched a number of initiatives to enhance stakeholder dialogue, including hundreds of financial information sessions for private and corporate customers on the impact of the financial crisis on their personal finances, and a series of round table sessions with leading policymakers and academics on the future of the financial services industry. Added to which, we developed a number of tools to facilitate and improve our online interaction with customers, employees and other stakeholders, such as the web-based platform www.ingforsomethingbetter.com.

The feedback gathered through these kinds of initiatives has really helped us better understand our stakeholders and share with them the direction we take and why. Moreover, it has enabled us to critically evaluate our business and commercial performance. Concrete examples of this include the implementation of a Customer Suitability programme to evaluate our entire product portfolio and product approval procedures based on sharpened criteria for good customer care, the introduction of Net Promoter Score as a measure for customer satisfaction across our business lines, and the set-up of client advisory councils at ING Bank Netherlands.

Another example specifically relates to our sustainability strategy, namely the evaluation of our Defence Policy. Three years ago, we began evaluating the policy to meet the changing demands and expectations of our customers, employees and wider society with regard to financial institutions' finance and investment decisions on controversial weapons. Bilateral discussions with NGOs were an essential element in this evaluation

> Trust is earned through consistent performance, and the knowledge that our financial and non-financial interests are aligned with those of our stakeholders.

process, which ultimately led to a number of amendments. We have extended the scope of the Defence policy to include all our business activities: not just lending and proprietary assets but also ING-managed funds, excluding index trackers.

Although we do not oppose the defence industry as such, ING takes a firm stand against controversial weapons and the trade in controversial arms. In light of both international agreements banning anti-personnel landmines and cluster munitions and society's general concern over depleted uranium ammunition, biological and chemical weapons, we consider these weapons to be controversial. ING will not provide financial services to companies involved in these kinds of weapons. Also, ING will not invest its proprietary assets in controversial weapons companies and will, with the exception of discretionary mandates and trackers (ETFs), and wherever legally possible and independently enforceable by ING, ensure customer funds are not placed in such companies through ING managed funds.

What is your process for notifying stakeholders about what you are doing with their input?
First, it goes without saying that participants in stakeholder dialogues or financial information sessions always receive feedback on the insights ING acquired during the sessions they attended.

Key topics and concerns, and how we responded to or anticipated them, are addressed in the ING Group Annual Report and a snapshot of relevant business and sustainability developments is also incorporated in ING's quarterly financial report. More detailed information, including an outline of ING's stakeholder engagement strategy, is given annually in the "ING in Society" report, through a monthly electronic newsletter, and on www.ingforsomethingbetter.com on a continuous basis.

Furthermore, we have been measuring, tracking and monitoring our performance on ethical, social and environmental issues since 1995. We have identified ten key performance

> In early 2009, the financial crisis and its impact on ING fuelled the need for an intensification of our existing stakeholder engagement activities.

indicators based on which we evaluate our progress. We're also in contact with various sustainable analysts and investors worldwide: We provide information on ING's sustainability performance to independent sustainable indices. The benchmarks provided by sustainable analysts, investors and indices are an important tool for the financial community and society at large when selecting investment opportunities.

How does new/online technology play a part in your stakeholder engagement?
For customers unable to attend our stakeholder dialogues or financial information sessions, we added a number of animated videos on our online retail portals (see www.ing.nl and www.ingforsomethingbetter.com) and a financial education section, called eZonomics, on our corporate website www.ing.com. These online platforms explain the very basics of saving, investing, life insurance, retirement planning and home loans. For example, ING Direct Canada has developed Planet Orange, an educational website for children in grades one to six and designed to broaden their understanding of financial issues in a playful and interactive way. The site invites children to 'blast off' on a journey to Planet Orange, where they can create an 'astronaut' profile and play games that teach them the basics of earning, saving, spending and investing money.

In 2009, we also launched a new website (www.ingforsomethingbetter.com) to explain clearly what we do and why we make certain choices. ING employees around the world use it to share ideas with their colleagues and find opportunities to make a difference by joining one of our community investment projects on education and the environment. Moreover, we have so-called webcare teams in place monitoring social media like Facebook and Twitter to make sure that publicly announced concerns or issues relating to ING or ING's performance are identified and responded to in a timely way.

How do you prioritize reporting topics based on stakeholder engagement, and does ING still report issues that are not deemed material or highly important by stakeholders?
We're not aware of any kind of current reporting by ING that is not deemed material or important by our stakeholders. We constantly monitor market and regulatory developments, engage with customer representative groups and other social organisations, and test our products to ensure their suitability for meeting customer needs.

In addition, we make sure that our strategic decision making is always based on financial as well as non-financial performance objectives. As a reflection of our Business Principles, social, ethical and environmental criteria are strongly embedded in our financing and investment policies and our business ambitions. We believe that we best contribute to society by taking the following approach: Be good at what we do, do no harm, and take responsibility for the impact of our products and services on the world around us; and contribute to positive change.

Tell us how ING views its employees as a stakeholder – we understand that you have rolled out a sustainability policy for employees recently?
This topic has been on ING's agenda for many years, not just recently. Without engaged employees, ING cannot realise its goals. This means our staff need to feel motivated, respected and taken care of by their colleagues and management. It also means they need to understand and share ING's vision for the future and contribute towards that in their day-to-day work. Furthermore, we believe that a diverse, inclusive workforce makes us better at what we do and more attractive to talent. We have set ourselves a target to increase the number of women in senior management to 33% by 2015.

To better understand issues important to ING employees and to gauge their state of mind, ING conducts an annual Employee Engagement survey. This survey covers topics such as sustainability, integrity and compliance, diversity and brand perception. These topics are important to our own people, as well as the societies we engage with and the customers we serve.

The financial crisis has reaffirmed our belief that integrity is at the heart of good business practice. It is essential to keeping the trust of our customers and society, as well as fostering productive relationships in the workplace. To ensure that every employee understands how their actions and behaviours can help earn and retain that trust, ING launched the Promoting Integrity Programme (PIP). This is a global employee training programme. It is based on further embedding ING's values and the role they play in the business and workplace.

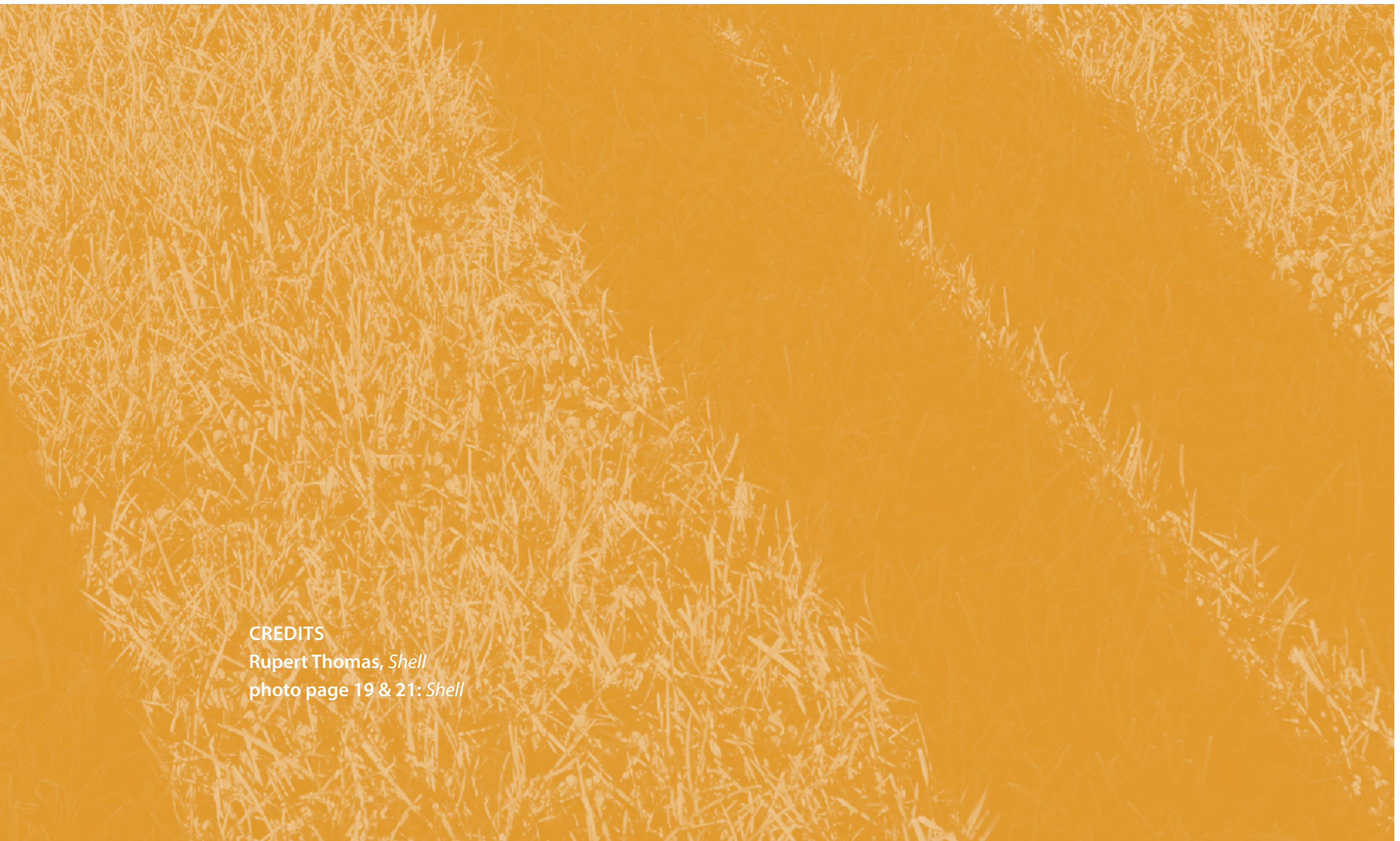
LINKS

To view ING's most recent report, visit: www.ing.nl

CONTENT SELECTION

Content matters, with Shell

How do you decide report content?



CREDITS
Rupert Thomas, *Shell*
photo page 19 & 21: *Shell*

Perdido, the world's deepest offshore oil drilling and production platform, Gulf of Mexico.

CONTENT SELECTION

Content matters, with Shell

A reporting organization has to consider many topics when compiling a sustainability report. In order to provide a balanced and reasonable representation of its sustainability performance, topics that are relevant and material for an organization should be covered in its report.

Defining report content correctly is crucial in making sustainability reporting a valuable exercise, for reporting organizations and report users. How does Shell do it?

Shell is an experienced reporter; as sustainability reporting evolves, what has changed in recent years in how Shell identifies and prioritizes material topics for its report?

"We began reporting voluntarily on our environmental and social performance with our first sustainability report that covered 1997. We have been using the GRI guidelines as a framework for our reporting since 2000. Just as the GRI guidelines continue to evolve, we also strive to improve our reporting and processes year-on-year. We review our content selection process on an annual basis to consider what improvements can be made before we go through the process again for the next reporting cycle. Over the years this has mainly been about improving the number and range of stakeholder sources of information that we use as inputs to the process. It has also been about making the process itself more rigorous and structured. For the 2010 reporting cycle we made a number of changes – three of which we feel were key. The first was including more feedback from dialogues with civil society, which enabled greater insight into the main issues for these stakeholders. Secondly, we introduced the analysis of each topic in its broader "sustainability context" as a third dimension to our content selection matrix. This added an extra level of detail to our process which helped to define content selection further. Finally, we involved our External Review Committee – a panel of six independent experts – more closely in reviewing the content selection process and

CONTENT SELECTION PROCESS

Our reporting focuses on the environmental and social challenges that matter most to our key stakeholders. We use a thorough process to select content for our reporting based on information from external and internal sources. This process includes:

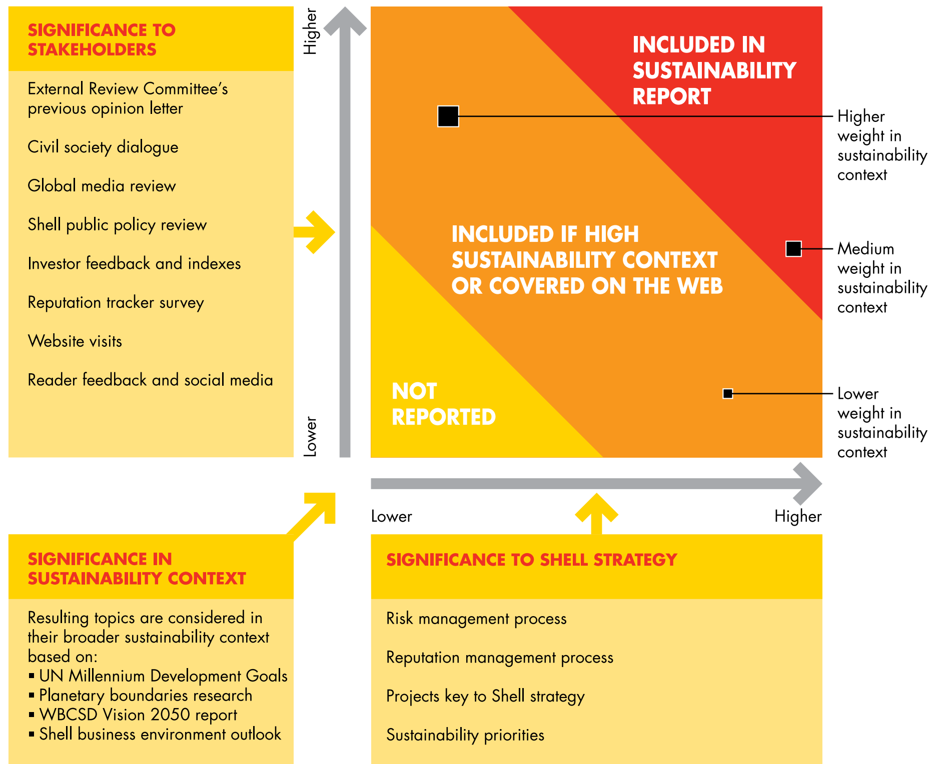
STEP 1: Identify and understand topics of significance to our stakeholders through a range of stakeholder engagements and reviews.

STEP 2: Identify topics of significance to Shell's business strategy through our established internal processes.

STEP 3: Combine the results into a matrix and assess each topic in terms of its wider economic, environmental and social impact. Each topic is then assigned a weighting according to its significance in "sustainability context". To determine "sustainability context" we review authoritative research and forecasts on environmental and social topics published by public institutions and governmental organisations.

STEP 4: We include all the highest priority topics in our report. Those at the next level of importance are included if they have a higher weight in "sustainability context", otherwise they are covered on the Shell website.

STEP 5: Our External Review Committee reviews the content selection to ensure that coverage is complete, relevant and balanced.



its outcome which provided extra scrutiny and challenge on the importance of topics to be included in the report."

How does Shell define its key stakeholders for its sustainability reporting?
"Working in so many countries and with diverse businesses, we have many stakeholders. We focus our reporting on the environmental and social challenges that most affect our business performance and matter most to our key stakeholders. These include local communities, non-governmental organisations, shareholders, investors, customers, partners, governments, employees, media, academics, contractors and suppliers. We try to cover the perspectives of all of these stakeholder groups in the inputs to our content selection process. We work hard to make sure that all of the stakeholder inputs are able to be ranked in terms of their significance. As these inputs are combined the more important topics – those that appear higher ranked in the inputs and in more than one input – take on a higher significance. We find this process results in those topics of higher significance ending up as being assessed as most important and therefore included in our reporting."

In terms of reporting, how do you ensure consistency with other companies in the oil and gas industry?
"As well as the GRI guidelines, there is also specific reporting guidance for the oil and gas industry developed by IPIECA/API/OGP, which are industry associations. In 2010, they released updated guidance on sustainability reporting which includes how oil and gas companies can determine reporting content. Around 25 oil and gas companies and associations were involved in putting this guidance together, including Shell. We are also involved in developing the GRI's Oil and Gas Sector Supplement, which also will provide oil and gas specific sustainability reporting guidance and reporting indicators. The sector supplement is currently open to the public via the GRI website for comment until July 20th, so I would encourage all those interested to input into the process. The GRI sector supplement and the IPIECA/API/OGP guidelines are well aligned and complementary to each other. With many different initiatives and emerging guidelines out there, we welcome as much alignment as possible with the GRI's framework."

What is Shell's understanding of sustainable development and how do Shell's choices of reporting topics reflect this?
"Sustainable development is part of our

The Featured OS

Shell is a global group of energy and petrochemical companies employing 93,000 people in more than 90 countries. Shell's aim is to help meet the energy needs of society in ways that are economically, environmentally and socially responsible.

The company is divided into three main areas: Upstream, Downstream and Projects & Technology. Upstream searches for and recovers oil and natural gas. Downstream manufactures, supplies and markets oil products and chemicals worldwide. Projects & Technology manages the delivery of Shell's major projects and drives its research and technology development programme.

Shell joined the Organizational Stakeholder program in 2004. In this chapter, Rupert Thomas VP HSSE & Sustainable Development, shares Shell's insight into identifying the most important issues for sustainability reporting.

Shell General Business Principles that govern how we operate. Sustainable development for Shell means considering both short- and long-term interests, and integrating economic, environmental and social considerations into our decision making. These considerations lie at the core of our operations and the development of our future energy projects. As a result, the topics that are identified as most important in our content selection process are already well reflected in our existing business and decision-making processes for risk, reputation, key projects and the sustainability priorities we are working on. The process itself determines the most important topics – we do not choose."

What does Shell consider to be its core competencies, and how can they contribute to sustainable development?
"Shell's goal is to be the world's most competitive and innovative energy company. We know that to do this we need to be a leader on safety and the environment, constantly improve our performance and continue to leverage our strength in technology. We firmly believe that our strength in technology can contribute to sustainable development. For instance, in May 2011, Shell took a decision to go ahead with the Prelude Floating Liquefied Natural Gas (FLNG) project in Australia. This will be world's first application of new innovative technology – moored some 200 kilometres from the nearest land, producing gas from offshore fields, and liquefying it onboard by cooling. Using this technology will enable access to gas resources – the cleanest burning fossil fuel – that are found all over the world in remote offshore accumulations. Shell FLNG technology will make it feasible to develop such resources, since it reduces both the cost and environmental footprint of their development. Having the gas-processing and gas-liquefaction facility located at the site of an offshore field avoids the need for: gas-compression platforms; long subsea pipelines to shore; near-shore works such as dredging and jetty construction; and onshore construction, including roads, storage yards and accommodation facilities. It is also reusable – when the gas resources in the first field are exhausted, the FLNG equipment can be redeployed to another field. We believe this sort of technology is an example of lowering the environmental footprint of projects, while helping meet the world's growing demand for energy.

How does Shell "communicate the magnitude of its impact and contribution in appropriate geographical contexts" (GRI Guidelines)?
"Our company-wide sustainability report covers the most important issues for the company and our key stakeholders. Some of these issues are important at a global level but many are specific to regions, countries and even specific projects. Our content selection process identifies these important topics, and in our reporting on them we aim to put our impacts and contributions into context. For instance this is why we break out our contracting and procurement spend with locally owned companies in lower-income countries – mainly in Africa, Asia and South America – since it is a real driver of job creation and local economies. In addition to


Shell employees and partner company staff at the Ormen Lange gas plant, Norway.

those locations included in our global report, we also communicate and engage locally with our stakeholders on the local impacts and contributions of our operations."

How do topics in Shell's most recent report relate to long-term organizational strategy, risks and opportunities?
"The outcome of the content selection process informs the way we look at our strategy, risks and opportunities. In addition we have robust processes in place to address sustainability issues. All important topics are therefore already reviewed and there are governance structures in place to address them. Important issues have medium- and long-term plans in place to address them rather than short-term initiatives. Oil and gas after all is a long term business – with projects costing billions of dollars and often having lifetimes of over 30 years. This is also why we spend a lot of time on our Scenarios work – looking forward to how the world may evolve up to the year 2050."

Can you describe, generally, Shell's consideration of its Upstream and Downstream entities in terms of determining content selection?
"We consider Upstream and Downstream equally in our content selection process. The content selection process considers the most significant issues to stakeholders, regardless of where they lie in our business. Many of our Downstream facilities have been established for many years and have good community relations. This means that often – following years of being part of local communities – these facilities are not causing concerns to our local stakeholders and therefore do not come up as major community issues in our content selection process. In our Upstream business, exploration and development of new resources may be in new areas or areas where environmental impacts, social impacts and technical challenges can cause concern for our stakeholders. This is why we see more Upstream-related content in our sustainability reports."

Please describe the nature and processes of senior management buy-in when determining content selection.
"We review the outcome of our content selection process with our Executive Committee before we start putting the report together. This gives them the opportunity to offer suggestions of any further topics that they see as important. But we find that since we have based our content selection process on information from robust external and internal sources, we usually have all the significant items covered already. In addition, for the 2010 report our External Review Committee met with the Board of Royal Dutch Shell plc's Corporate & Social Responsibility Committee early in the process to specifically discuss the issues that had been identified as most important. They also met with members of our Executive Committee and other senior management responsible for specific important topics to probe those areas further."

Tell us a bit about the External Review Committee and how it impacts Shell's determination of content selection?
"In 2005, Shell introduced an independent External Review Committee (ERC), which consisted of representatives from selected stakeholder groups and subject matter experts who are familiar with the main environmental and social issues faced by the oil and gas industry. For the past six years, Shell has used the ERC to assess the quality, credibility and effectiveness of Shell's sustainability reporting and to provide input to make year-on-year improvements to Shell's Sustainability Report. Their input brings invaluable external perspective and expert knowledge. They help us to get the tone and balance of the report right as well as make sure that we are providing the information needed by our stakeholders. The review process that the ERC takes part in is thorough and in-depth. For the 2010 report, the ERC reviewed the most important topics and the process to arrive at them in the first of their two-day meetings in the annual reporting cycle. This review, along with their engagements with Board members, Executive Committee members and senior management, gives them the early insight as to whether our content selection process has really captured the most important topics for inclusion in our reporting before we have started to write the report. At the end of the reporting cycle, the ERC presents its independent review of the Sustainability Report – including the importance of topics covered – in their public opinion letter which we publish in the Report."

LINKS
To view Shell's latest report, visit: **www.shell.com**

Global Reporting Initiative™

GRI Research & Development

THE KNOWLEDGE SHARE PROJECT PORTFOLIO

Topics

HUMAN RIGHTS

Human Rights Reporting, with Ford

How do you report human rights performance, particularly in your supply chain?

CREDITS
Thomas Niemann, *Ford Motor Company*
Omobolanle Babatunde, *Access Bank Plc*
Ravi Khan, *Viyellatex Group*
Photo page 26: *© iStockphoto.com*

HUMAN RIGHTS

Human Rights Reporting, with Ford

2011 saw some big changes in human rights reporting, with the UN adopting the Ruggie Framework, providing guidance on how companies should operate in line with human rights. GRI believes human rights issues are central to the social aspect of sustainability, and as such the updates to the GRI Guidelines, launched in March 2011, include expanded guidance on human rights reporting: A new introduction and new content for the Disclosure on Management Approach in the G3.1 Guidelines re-emphasizes the role of human rights in sustainability, and new Indicators cover assessment of operations and grievance remediation.

Human rights is central to Ford's sustainability reporting, featuring at the highest level of importance in their most recent sustainability report.

How material are human rights issues in terms of Ford's reporting?

Human rights is a material issue to everything we do rather than being treated as a stand-alone issue. Human rights in the supply chain is very important to Ford: So much so that it raised supply chain sustainability to a material issue.

Supply Chain reporting is paramount and manufacturers cannot turn a blind eye. Human Rights is a major part of how a company is expected to be responsible throughout its entire value proposition, encompassing diverse issues from conflict minerals, forced labor and child labor to water use. So as a material issue, human rights in the supply chain is essential.

What is included in Ford's definition of Human Rights?

Human rights is included in several aspects of our policy letters and our Basic Code of Working Conditions, which are shown externally – these are an expansion of the golden rule of treating others how you would want to be treated.

Specific issues addressed include safe working conditions – so not too hot, not too cold – reasonable pay for reasonable work, freedom of association, and no bias on race, nationality, gender and sexual orientation, or age.

The Basic Code of Working Conditions endorses several human rights frameworks and charters: The UN Universal Declaration of Human Rights, The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, OECD Guidelines for Multinational Enterprises and The Global Sullivan Principles of Social Responsibility.

How many suppliers does Ford have, and what does this mean for sustainability and human rights?

We have thousands of suppliers in more than 70 countries around the world. We take a broad view of suppliers and, like most people, we use a tier system to identify them. There are several hundred Tier 1 and the tiers extend as far as Tier 7.

It can be difficult to control sub-tier suppliers in terms of sustainability performance. Each is bound by national laws and federal authority, either through Ford's operations or where the suppliers themselves are located. The first and foremost thing is to be compliant with regulation, but in some cases Ford's corporate standards are higher than local regulatory standards. We still expect Ford's standards to be applied but how well they can be enforced is often limited by local laws and regulations.

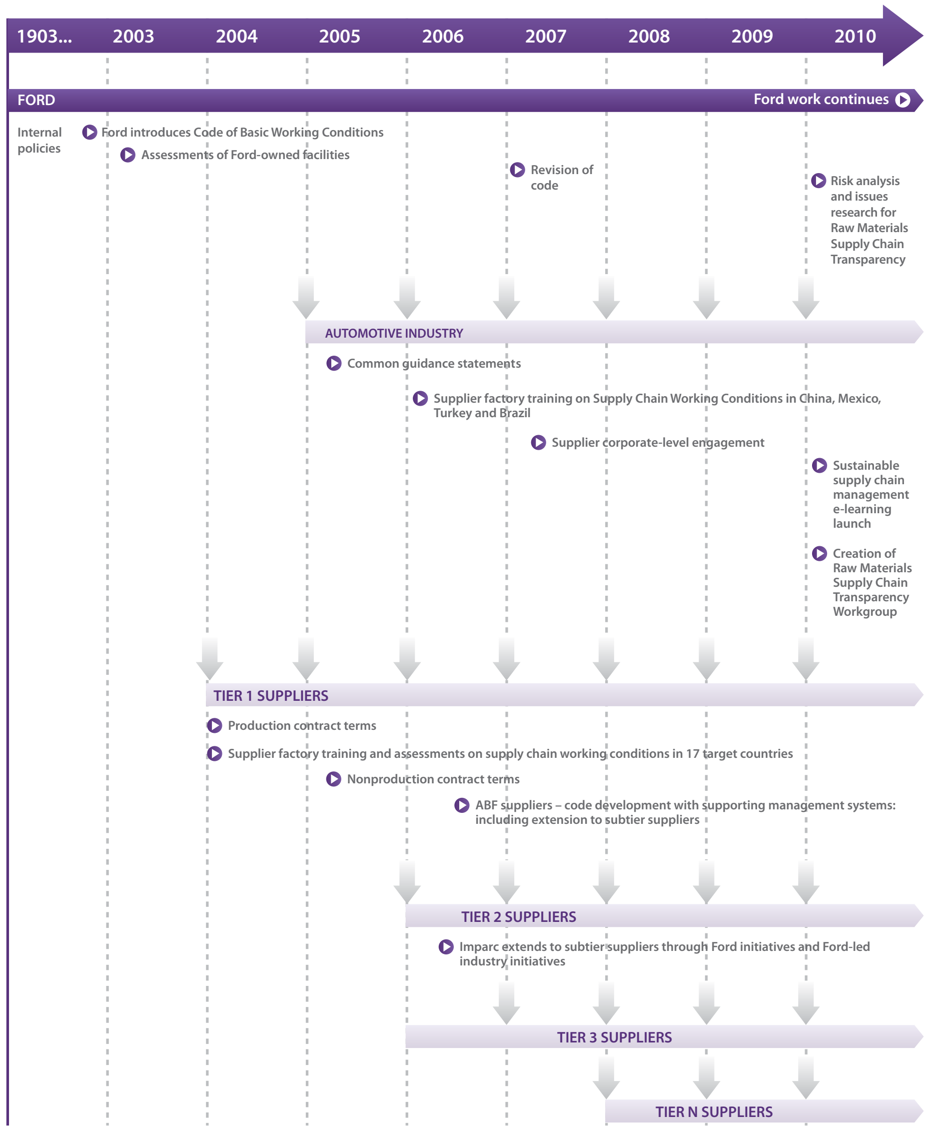
Ford's suppliers are critical allies in helping our Company to achieve success in the marketplace and meet our sustainability goals. We promote long-term relationships with our suppliers and seek alignment with them on sustainability-related issues such as greenhouse gas emissions management and human rights.

The Featured OS

Global Reporting Initiative™ Organizational Stakeholder 2011

Ford Motor Company, a global automotive industry leader based in Dearborn, Mich., manufactures or distributes automobiles across six continents. With about 166,000 employees and about 70 plants worldwide, the company's automotive brands include Ford and Lincoln. The company provides financial services through Ford Motor Credit Company. For more information regarding Ford's products, please visit www.ford.com.

Ford Motor Company has reported its sustainability performance since 1999 and has been an Organizational Stakeholder of GRI since 2003.



The basis of our work with suppliers is the Ford Code of Basic Working Conditions. This Code was formally adopted in 2003 and applies to our own operations as well as our $65 billion supply chain. It addresses workplace issues such as working hours, child labor and forced labor as well as non-discrimination, freedom of association, health and safety, the environment and other issues.

Which elements in the supply chain present the biggest Human Rights challenges?

Raw material supply chain issues are complex and go far beyond what people might normally consider as part of supply chain sustainability. At Ford, many of our thousands of suppliers are involved in the very first steps of production: in sourcing fuel for component production processes.

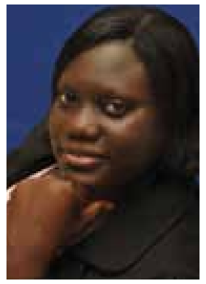
We had a particular case in 2006 with a seventh tier component supplier of a small part. The production of pig iron, a major part of the steel in components, is often fuelled using coal. The wood used to make the coal in this process was being harvested in an area of Brazil known to be associated with forced labor. When we found out we stopped sourcing from the supplier immediately but continued to talk to them and help improve their human rights practices.

This example highlights some of the problems we can encounter with overseeing, enforcing and auditing sustainability in our supply chain.

Ford provides extensive training to suppliers. How, in practice, does this work?

Ford launched its capability building program in 2006, with the first training in China. This training has since been extended to Mexico, Turkey, Brazil, India and Thailand, with one

COMMENTARY



In the first Commentary for this chapter, Omobolanle Babatunde, Head, Corporate Social Responsibility at Access Bank Plc, explains why human rights is important for business.

Organizations have realized that respect of human rights is essential when conducting day to day activities. Regardless of the sector, business activities have the potential to impact human rights in many ways, including labour conditions, activities of security forces, scope of local community programmes, and being complicit in the abusive activities of others with whom we interact or finance.

The essence of addressing Human Rights issues for societal sustainability cannot be overstated. For instance, the 2001 Harkin-Engel Protocol, commonly referred to as the Cocoa Protocol, is an international agreement aimed at ending child labour in the production of cocoa and this led to the birth of the International Cocoa Initiative.

Already, some countries have instituted legislations which oblige organizations to disclose key sustainability issues such as employee, social and community matters. Reporting on Human Rights sustainability performance is an important way for organizations to manage their impact on sustainable development. Reports are produced to improve internal processes, engage stakeholders and persuade investors.

Reporting guidelines such as the GRI Sustainability Reporting Guidelines provide for Human Rights reporting. The Human Rights Performance Indicators require organizations to report on the extent to which human rights are considered in investment and supplier/contractor selection practices. This encourages taking responsibility for the organization's performance and positively influencing the value chain. By doing so, we can effectively contribute to building a sustainable society.

COMMENTARY

For this second Commentary for the chapter, Ravi Khan, Head of Organizational Sustainability at Viyellatex Group, provides an insight into Human Rights in Bangladesh:

Viyellatex Group recognizes that human rights for workers is one of the prime sustainability factors for a business. As Bangladesh suffers from the vicious cycle of poverty and illiteracy, we want to ensure that our workers are not deprived of their rights and are not subjected to violence.

Viyellatex feels that education is the prescribed medicine for elevating societal standards. We believe that education is the backbone of this country, therefore it is imperative for all children to receive education in order for Bangladesh to have a brighter future. So we have opened several pre-primary schools for children of the local community to attend free of cost.

We realize that to keep our stronghold in the international market, we must provide sustainable working conditions for achieving greater productivity. Our workers receive 20 percent higher wages than the government stipulated standard. Our aim is to ensure that the workers are content, highly skilled and are better parents for their children.

As we are new to the GRI platform, we have been able to incorporate transparency accountability through sustainability reporting which has hugely benefited our human rights practices. We feel these practices will not only help us to be pro-active, but also create a standard in our industry from other organizations to follow. Through the reporting system other companies can see what Viyellatex does to keep workers happy, such as continuous training, benefits and facilities, and we also get an opportunity to learn about the good practices of other companies regarding human rights.

to three day training sessions. Primarily this consists of familiarizing suppliers with Ford's Code of Basic Working Conditions (CBWC), and how it is applied based on local laws and regulations. Training is important but the follow-up is equally important. There is a need for a robust auditing process. The program is led by Ford and alliances – Ford works closely with The Automotive Industry Action Group (AIAG) to support the industry's work in supply chain sustainability and share its expertise. This "open book" approach to supply chain work includes Ford contributing an "executive on loan" – the global manager of our Supply Chain Sustainability group – to the AIAG.

How do you work with experts in human rights and labor on an ongoing basis?
Ford is a signee to the UN Global Compact and we meet International Labour Organization standards. We also work with US state department organizations to make sure Ford is working and pushing its own standards, particularly around how employees are treated.

We also look for guidance from the Interfaith Council on Corporate Responsibility and CERES, making make sure Ford is affiliated with companies through them to check the right standards are applied.

Ford is a large multinational company, so 60 countries have their own operations.

Ford's Human Rights Manager is responsible for the implementation of the company's human rights policies and practices. This person coordinated internal and external relationships in the implementation and enforcement of these policies, as well as conducting annual audits.

Ford operates in the US, where unionized labor is the norm. How has this influenced your approach to human rights?
When you look at the history of Ford you can see lessons learnt, and the development of relationships with unionized labor. Safe working environment is one thing that has been a global standard as a result of these relationships.

Will Ford incorporate GRI's recent G3.1 updates to Human Rights into your next year's report? What advantages do these updates bring and what challenges will Ford face in implementing them?
We expect to incorporate the updated guidance. At Ford we work hard to stay up to date with different standards, including the International Labour Organization and the GRI Guidelines, making sure we are compliant and reporting appropriately.

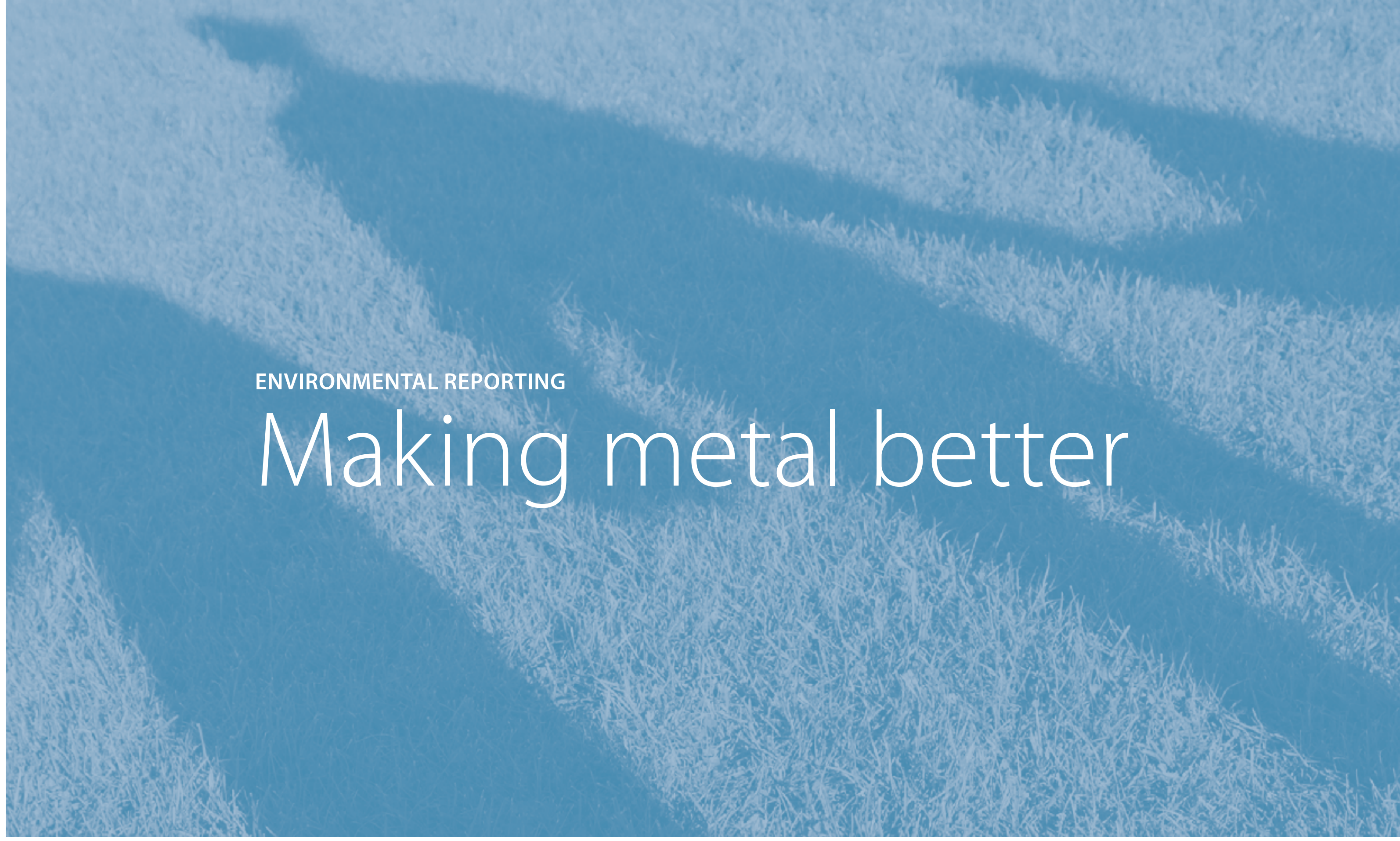
The challenge in changing our reporting in line with the G3.1 updates will be in making sure Ford's understanding of the requirements is consistent with GRI's understanding. There is definitely added value here in being an Organizational Stakeholder – it means there is an opportunity for conversation and reaching a deeper understanding of what the updates mean for our operations.

Water, which is commonly seen as an environmental issue, is actually a basic human right. We have a zealous human rights manager, so I don't think updating our reporting will be a problem. It gives Ford an opportunity to show that we take human rights issues very seriously.

How do you link human rights with financial performance?
You can absolutely link human rights and financial performance. Firstly, respecting human rights is the right thing to do. Secondly, we want to attract and retain talented people to work at and with Ford Motor Company, and to do that we want them to feel proud to work for Ford. This means looking at the company from every perspective, including social justice, Ford as a good neighbor and a good steward of well-being – that the company cares and is concerned about these things. Now we can retain people internally. Externally, customers can feel good to be part of Ford's Corporate Citizenship. The sustainability and human rights performance of the company influences people's purchasing decisions.

LINKS

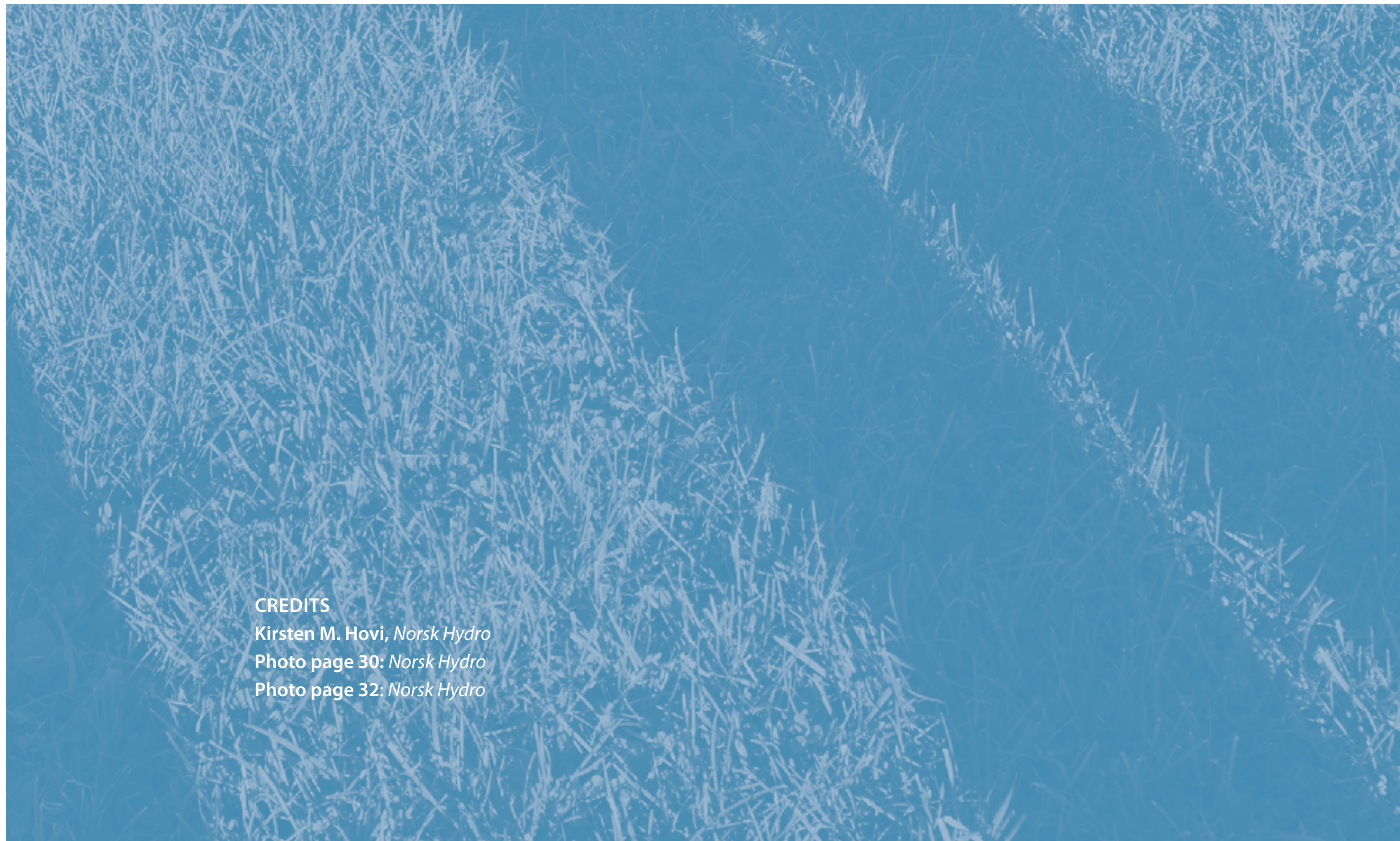
To view Ford's latest report, visit:
corporate.ford.com



ENVIRONMENTAL REPORTING

Making metal better

How do you report environmental performance? (part one)



CREDITS
Kirsten M. Hovi, *Norsk Hydro*
Photo page 30: *Norsk Hydro*
Photo page 32: *Norsk Hydro*

ENVIRONMENTAL REPORTING

Making metal better

Many companies are just beginning to realize the importance of environmental reporting. Measuring and monitoring data on environmental impacts can do more than identify risks and opportunities, or lead to mitigation strategies; it can indicate the long term viability of an organization's existence.

Hydro is not a newcomer to environmental reporting; it has been researching and reporting its effects on the environment for decades. Today, such reporting plays a vital role in achieving Hydro's mission "to create a more viable society by developing natural resources and products in innovative and efficient ways."

Can you tell us about the history of environmental reporting at Norsk Hydro?
We published our first environmental report in 1989, said to be one of the first public environmental reports by a company worldwide. In the early years it was produced as a separate document, and focused mainly on environmental issues. It did, however also cover health and safety issues, and work environment information.

From 1999 the environmental report became a separate chapter of the annual report. For this we used the earliest version of the GRI Framework, which was a draft, and we used it as a checklist.

Then from 2001/2, we developed a GRI Content Index but for internal use only. We first published a GRI Content Index on our website in 2003, while the environmental report was still a separate chapter of our annual report. Then from 2004 we delivered what we strove to make our first integrated report, integrating the financial and non-financial information. Since then we have strived for the integrated approach each time.

For some years we included the GRI Index in the annual report, but we're now back to publishing the Index on our website. The reporting itself is of course based on GRI's guidance and principles, but it doesn't follow the Index as such. We use the Index for stakeholders, to help them find what they want. Either the information is in the annual report, or it can be found on the website.

What was the decision making around putting the GRI Content Index on the website only?
There were several reasons for it. One was simply to save space in printed versions of our reporting. Then by having it on the web it's easier to get the information to other places, to places where hard copy reports can't go. It's easier to include comments because there is provision in the Index for that. And not least it saves us a lot of time if we only have to verify one version of the reported information, just a digital version. We publish our report in March, so we have a short time to prepare everything. Also, if there is an error in the web version it's easy to correct, but errors in the printed version are much worse. So basically, it's about flexibility and simplification.

What value did you gain when you began using GRI's Guidelines?
The main value of GRI's Guidelines is to get as complete as possible an overview of what is expected to be reported on, and to provide Indicators that may be relevant for us based on discussions with our stakeholders. And of course the possibility of referencing the Indicators when we are asked questions by different stakeholders. We can point them to our GRI disclosures.

The closure of Hydro's magnesium plant in Porsgrunn, Norway, in 2001 had a very strong reaction, but has later been held up as an example of best practice in the closure of a facility. Hydro has used these experiences in closure processes in the UK, Canada, Germany and Norway.

Can you tell us about the reporting structure at Hydro, because you operate in 40 countries, have operations that are joint ventures, and so on - how is reporting organized?
We separate consolidated and non-consolidated activities. So activities in which we own more than 50 percent are included in our consolidated accounts and so in our sustainability data. Non-consolidated activities are also included in our reporting to a certain extent, but on a qualitative basis to show how we work with non-consolidated companies in following our main sustainability principles. But one important point about non-consolidated companies is that they are still included in our Scope 1 and Scope 2 emissions reporting. Because we report this on an equity level, in addition to |a consolidated level.

To collect the data we have several systems. All Health and Safety issues are reported on a monthly basis, including injuries, serious incidents, environmental accidents, work related illnesses and so on.

Then we have another corporate system for environmental reporting, which includes all kinds of systematic emissions, energy consumption, resource use, total production, etcetera, which is gathered annually. Some information is collected through general accounting systems, like financial and HR systems. All of this data is collected and consolidated by the HSE department. So as Head of Viability Reporting I decide what we need in cooperation with the relevant staff, who deliver it to me on agreed deadlines.

So with a joint venture like the Qatalum plant with Qatar Petroleum, are your sustainability commitments part of the project discussions?
Yes, that's an important part of the process leading up to the investment decision. So before the investment decision is made, there is an environmental and social impact assessment. And also in the discussions with a partner, we discuss any different views on HSE, what is considered important, and so on.

Hydro has closed some Norwegian plants in recent years for environmental reasons – and this has improved your environmental performance. What was the decision making around these closures?
The Søderberg plant closures, all in Norway, were based on new environmental requirements being introduced by the Norwegian government which could not be fulfilled with the technology we had. Which of course causes a dilemma, because on the one hand we have to fulfill these legal requirements, and on the other hand these plants were located in small communities where Hydro is a cornerstone company, so there were significant consequences for these communities in loss of jobs. So where there were no plans to replace facilities, we cooperated closely with the local authorities and local business to try to find new ways of creating jobs locally.

Was there a stakeholder engagement process with those communities?
Stakeholder engagement in such situations is very, very important to Hydro and very deep in our culture. The first thing we do is to start discussion with unions and local authorities to prepare them and discuss how we can reduce the impacts. That's followed up throughout the whole process. Of course, it always feels very negative when redundancies are announced. Our closure of the Magnesium plant in Porsgrunn in Norway in 2001 had a very strong reaction, but has later been held up as an example of best practice in the closure of a facility. We have used these experiences in closure processes in the UK, Canada, Germany and Norway.

How do you report on biodiversity impacts in Brazil as a consequence of the take-over of Vale's former mining operations?
We've been working with Vale for many years, before acquiring among other facilities the Paragominas Bauxite Mine in 2011. It sits in a region of the Amazon that was deforested many years before the mine was opened. Our plan is to reforest the area on a continuous basis after the bauxite is extracted. So the mine was opened in 2006 and the reforestation program started in 2009. Large scale reforestation is new to Hydro so we

The Featured OS

Norsk Hydro ASA is a global supplier of aluminium, headquartered in Oslo. Its activities span the value chain, from bauxite extraction to the production of rolled and extruded aluminium products and building systems. Hydro is the second largest integrated aluminium company worldwide. It has operations in some 40 countries and employs approximately 23,000 people. The Norwegian state holds a 34.3 percent ownership interest in the company.

Hydro had a significant presence in the oil and gas industry until October 2007, when these operations were merged with rival Statoil to form StatoilHydro (Statoil from 2009).

Hydro is a major producer of hydro-electric power. Its long and pioneering involvement with renewable energy began in the early years of the 20th century. In order to manufacture its first product – artificial fertilizer created by fixing nitrogen from air – Hydro built a power plant at the Svelgfossen waterfall near Notodden, Norway. The Rjukanfossen waterfall was later developed to provide a similar hydro-electric facility. Hydro's association with renewable energy now encompasses such diverse projects as buildings that produce as much energy as they consume during operation.

In this chapter, Kirsten M. Hovi, Head of Viability Reporting, discusses Hydro's longstanding practice of environmental reporting.

> In earlier years it was mostly so-called socially responsible investors that asked for information. These days it's more common for traditional investors also to ask for this kind of information.

are reviewing our environmental strategy to evaluate the practices at Paragominas and how we can improve the biodiversity of the area. And we are in the process of evaluating what is material to report on following the Vale transaction.

Which GRI Environmental Indicators have caused challenges to report on?
An example is EN10, 'Percentage and total volume of water recycled and reused'. It is an additional Indicator, but still it's a tricky question. It sounds very easy when you are on the outside, but when you aggregate data for different activities, it is very difficult to answer. Partly because of how one defines recycled and reused water, but also because you can argue that this is the wrong question. Water is a big issue in some regions but in other regions it's non-material due to its abundance. So Hydro has, at least on paper, a huge consumption of water. But when you go into the details, most of the water consumption is in Norway where the "river runs through the plant", entering and leaving with about the same quality. So the water questions, in both the GRI Guidelines and the CDP Questionnaire, miss important nuances. If you're in an area of water stress or scarcity, these questions are important. But as a consequence of the reporting guidance available, most analysts just ask Hydro "What is your total water consumption?"

Do you see a change in the investment community response to your environmental disclosures, and have you seen changes in investment as a consequence of your transparency?
Well, the second part of the question is easiest to respond to: We get more problems if we are not transparent than we get praise for being transparent. As for investors, our largest investor is the Norwegian state which obviously requests environmental information. Apart from them, in earlier years it was mostly so-called socially responsible investors that asked for information. These days it's more common for traditional investors also to ask for this kind of information.

Which stakeholders are most interested in information about environmental regulations violations at Hydro?
The government: the Ministry of Industry and Trade, as well as other important shareholders. But also many journalists and NGOs ask important questions.

That is the first time in the Knowledge Share that an OS has mentioned the media as a stakeholder...
Media is a very important stakeholder group to us. But showing them a GRI Index is generally not the most efficient tool – we have to tell them where in the report and on the website they can find the information. Both they and other stakeholders do ask from time to time if we report according to GRI. But they're more interested in the fact of if we do or not, than in using the Index. So it seems that a lot of journalists, and analysts, don't use the Index to get the information they want, which is a pity.

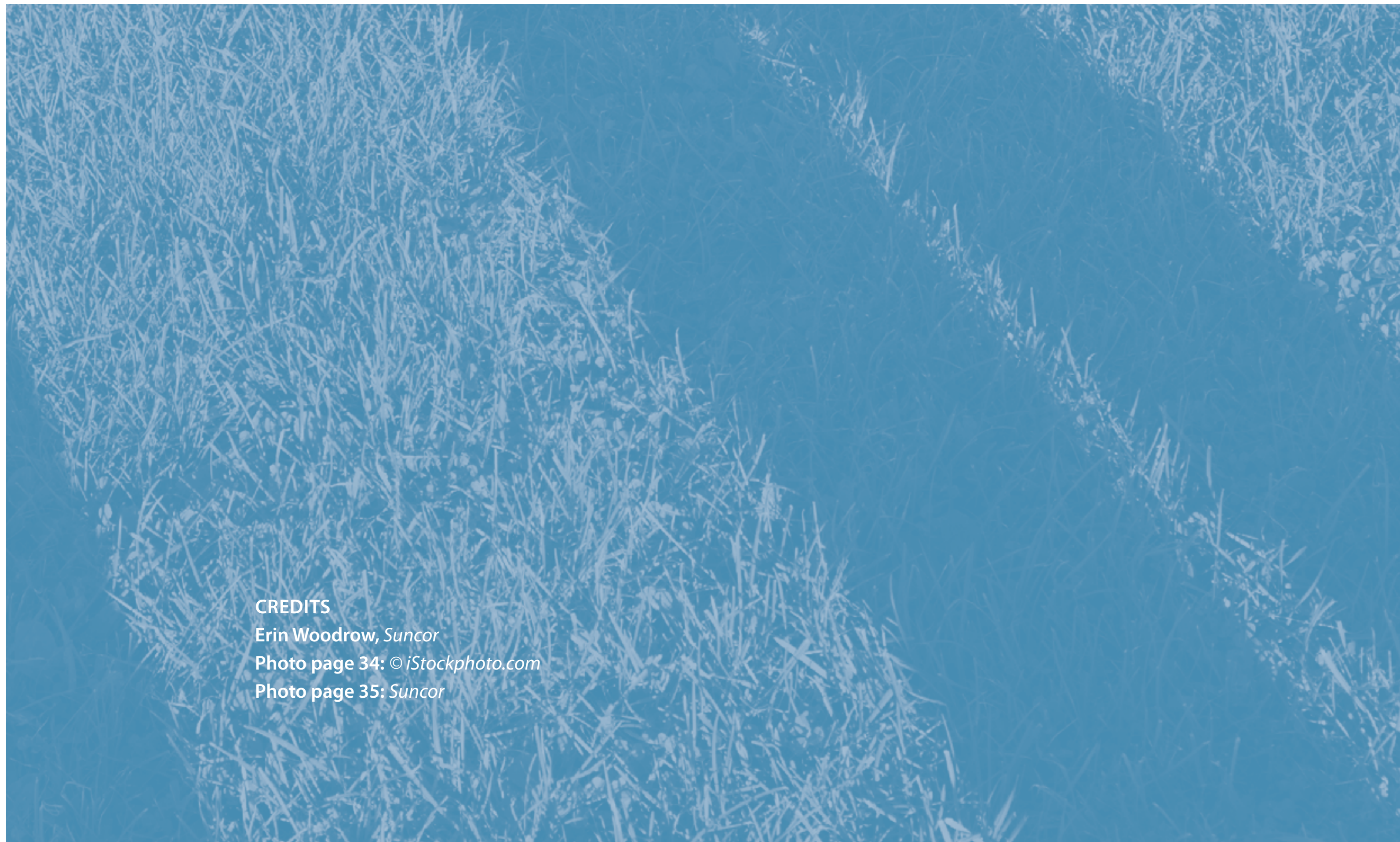
What is Hydro's outlook on assurance?
We've had our environmental disclosures externally assured since 1999. Since 2003 we have had all of our non-financial reporting assured. I think all non-financial disclosure is important to be assured, and to us it's just as important to assure qualitative as well as quantitative disclosures.

LINKS
To view Norsk Hydro's most recent report, visit: **http://bit.ly/nHhYFX**

ENVIRONMENTAL REPORTING

Oil, wind and Suncor

How do you report environmental performance? (part two)



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ENVIRONMENTAL REPORTING

Oil, wind and Suncor

Companies focus on sustainability reporting for many reasons. There is growing awareness that sustainability covers a range of factors, many of them connected with people rather than planet.

But for some companies, environmental impacts are an intrinsic and prominent focus of their sustainability reporting. Suncor has acquired valuable experience in measuring, disclosing, and addressing its environmental performance.

Suncor recently launched a decade long growth plan. What sustainability challenges does the plan present?

One of the biggest challenges for growth will be addressing emissions. The planned production increase is for more than one million barrels of oil equivalent per day by 2020; in the immediate term at least, this means that absolute GHG emissions will increase.

With an expanding business this is difficult to address. But a focus on continuous improvement and emissions intensity can bring clear successes. Water consumption intensity has been reduced by 40 percent since 2003, and GHG emissions intensity at our oil sands base plant is 50 percent lower than it was in 1990. The intensity of Volatile Organic Compound emissions has also decreased.

Impacts can also be reduced by careful management of the portfolio: divesting certain non-core assets from our Exploration and Production businesses in 2010 led to a 6 percent drop of total reported air emmissions compared to 2009.

Basically, new technology can and must address the industry's environmental challenges. Oil sands extraction is a relatively young industry, beginning in the late 1960s, and it is only now that innovations in new technology, and the design and construction of operations, are really making their presence felt; the whole industry is collaborating in this regard.

So Suncor believes in sharing the lessons learned from its reporting, research and operations?

Our sustainability approach is viewed from a triple bottom line perspective, which means building strong economics, reducing our environmental footprint and contributing to social wellbeing. The theme for our 2011 Report on Sustainability is Performance, Partnerships, and Possibilities, which ties in to our overall approach. One of the areas where partnership comes to the fore is in our development of technology and processes that benefit the industry as a whole. Our most recent sustainability report emphasized this. As we prepared the report, the theme of collaboration kept re-emerging. Energy is the lifeblood of our economies; we should all have a say in mapping its future.

So we don't have to seek competitive advantage through our reporting: in this industry that doesn't really apply. Within the industry, common safety procedures, for example, are far more important. All companies in the industry want their people to work safely and operate in a sustainable manner, and that is a major industry focus where competition is irrelevant.

On this subject, Suncor is involved in the Oil Sands Leadership Initiative; how does Suncor try to lead and influence industry behavior?

We were a founding member of OSLI, with Total. OSLI is a group of like-minded companies within the industry, and includes ConocoPhillips, Nexen and, Statoil. The purpose of OSLI is to develop creative ways to address the industry's most pressing environmental issues. Resources and expertise are being pooled, and information once considered proprietary is being shared. We want to show that the oil sands industry is viable long term, and can be developed responsibly and sustainably.

So much of the work within OSLI is another good example of industry collaboration. Suncor and Total have worked together on water recycling solutions, for instance, developing resources that can be shared around the industry and can unify approaches.

The main principle with OSLI is to go beyond compliance. The important thing is to find creative solutions, and generate out of the box thinking, around technologies and procedures. Going beyond compliance is how an industry can change, grow and improve.

Tell us about tailings ponds, and Suncor's advances in this area?

Tailings are a mixture of fine clay, sand and water, and residual bitumen produced during the extraction process that separates bitumen from the oil sand. If left alone, mature fine tailings, as they are called, can take 100 years to settle and harden, and for that land to become useable again.

The technology Suncor has developed converts tailings to solid landscape much more rapidly, literally in a matter of weeks compared to the years it used to take.

We expect to spend over $1 billion CAN by 2012 implementing the new tailings and reclamation technology. As a result of developing new technology, Suncor cancelled canceled plans for an additional five ponds. We think the technology will enable us to reclaim entire mine sites in about a third of the time it currently takes.

In addition, there is an unprecedented collaborative angle to the tailings story. In 2010, all seven oil sands companies running mining operations reached an agreement to pool research in this area. We're now sharing our patented technology within the industry, and with academics and government, so the game-changing implications can be maximized.

Returning briefly to your plans for growth; other companies with growth plans and sustainability commitments, like Unilever, can be very clear about the fact that if their sustainability commitments harm returns to shareholders, they will prioritize shareholders and not sustainability! Has any discussion around this occurred at Suncor?

We don't believe it has to be an either/or. Our vision to be a sustainable energy company is based on a triple bottom line – strong economics, reducing our environmental footprint and contributing to social wellbeing. When we look at growth we look at all three areas.

Our sustainability goals are developed in consultation with many stakeholders. For example, a diverse group of stakeholders, with different backgrounds and motivations, played a big role in developing our environmental goals. And the interesting thing was that our stakeholders said, 'Set the goals'. The expectation was not for instant results or perfect performance; succeed or fail, hey said the important thing is publicly set these goals and develop plans to work towards them .

Tell us about your environmental goals. What advice do you have for companies just starting to set such goals?

Our environmental goals lie in four key areas – water, land, energy and air. The current goals for 2015 are to reduce fresh water consumption by 12 percent, increase reclamation of disturbed land by 100 percent, improve energy efficiency by 10 percent, and reduce air emissions by 10 percent.

As for advice - don't underestimate the amount of time, effort and capital involved! The background work for developing these goals can be intense. There is a lot of listening and collaboration across the company. If you are a big entity, there are many departments and subsidiaries that need to be part of the process.

Suncor has developed what we are calling an Environmental Excellence Plan to steward the process of goal-setting and monitoring. Corporate resources steward the plan and our business units operationalize it.

The Featured OS

Global Reporting Initiative™ Organizational Stakeholder 2011

Suncor Energy Inc. is an integrated energy company based in Calgary, Canada. Ranking number 159 in the Forbes Global 2000 list, Suncor specializes in the relatively recent field of producing synthetic crude from oil sands. Alongside oil sands development and upgrading, Suncor's operations include conventional and offshore oil and gas production, petroleum refining, and product marketing. In 2009, Suncor employed nearly 13,000 people and raised its net earnings to $1.1 billion CAN.

In August 2009 Suncor merged with the previously government-owned Petro-Canada; it is under the latter name that Suncor Energy conducts its nationwide retail operations.

Suncor's vision is to be Canada's premier integrated energy company. While working to develop petroleum resources responsibly, Suncor is also developing a growing renewable energy portfolio. Suncor pursues a triple bottom line approach to sustainable development: economic prosperity, social well-being, and a healthy environment.

Suncor became Organizational Stakeholders in 2003; it was also the first Canadian energy company to become a Ceres coalition partner. Suncor's 2011 Report on Sustainability received an A+ GRI Application Level.

In this chapter, Erin Woodrow (Sustainability Reporting Coordinator) discusses Suncor's intense relationship with environmental impacts and disclosure.

COMMENTARY

This chapter's comment comes from Saeed Al Zaabi, HR Systems & Performance Leader at ADGAS – the Abu Dhabi Gas Liquefaction Company Ltd.

Operating in the same energy sector as Suncor, ADGAS looks at its environmental impact reduction on land, sea and air as an obligation to current and future generations. As part of our ongoing commitment to reducing our environmental impacts and recognizing the need for businesses to play a big role in environmental protection, we invest significantly in new technologies and in schemes such as flaring and emissions reduction and energy efficiency enhancement.

In terms of environmental reporting, we have 2 focus areas: energy efficiency, aided by our new Sustainability Concept implementation model and environmental impact reduction in which we make specific commitments to protect the environment and promote sustainable development within our processes, products and other activities.

We see value in environmental sustainability reporting as it has given us an avenue to monitor our progress on certain environmental indicators, show stakeholders our commitment and be transparent about our impacts and efforts to reduce these. Looking to the future, we are in the process of enhancing our internal KPIs, developing a comprehensive database for our existing environmental KPIs and improving on our monitoring of our energy efficiency.

The progress of our environmental goal setting is notable. The development and implementation of environmental excellence planning was a goal we set for 2009 -10: and in 2009, environmental performance goals were adopted for all Suncor assets, and environmental excellence was integrated into business planning.

Which GRI environmental Indicators have been difficult to report on, and how have you overcome this?
The energy and water indicators are among the most material for us, and we have done a lot of work on those since the merger.

We've also spent a lot of time deciding what should be in and out of the report. Flaring is an example of an issue that we thought hard about reporting on, but have not at this stage. *((Reporting on flaring is covered in GRI's forthcoming Oil & Gas Sector Supplement – Ed.)).* But energy, water use and GHG emissions are the most important Indicators for Suncor, and take the most work.

One challenge we've been wrestling with since our merger is how to standardize definitions across the company. We put in a lot of effort to align responses. We also produce some 10 different reports which Suncor considers sustainability reports in a year, regulatory reporting is handled through our corporate Environmental, Health and Safety group. We do quarterly internal reports and monthly reporting on certain environmental indicators. We're currently in the process of trying to amalgamate the data collection process for these different reports. Some departments can be confused by multiple and different requests for information, which is quite a common problem in big reporting entities.

Can you tell us more about Suncor's investment in renewable energies?
Suncor operates Canada's largest ethanol plant by production volume. Our investment in wind energy is amongst the largest in Canada, with four projects and two more under construction.. Basically, we try to initiate a new, ongoing renewable energy project every 18 months to follow our parallel path to sustainability as noted in our Climate Change action plan.. That's the pattern so far and it's set to continue. We expect our existing and planned investments in renewable energy to total approximately $750 million CAN by 2012.

Presumably NGOs are a large group among Suncor's external stakeholders. How does your reporting influence these relationships?
We strive to have a good relationship with all the external organizations that have an interest in what we do. Two in particular are important for us. We are a coalition partner in Ceres, who do a great job in pushing us, holding our feet to the fire and making sure that certain things are discussed and implemented. We also work closely with the Pembina Institute, Canada's main energy watchdog.

It doesn't always work: It's hard for us to have or maintain a relationship with some groups for example. But the important thing is that these stakeholder relationships are ongoing. Our Stakeholder Forum engages stakeholders year round, at least on a monthly and sometimes on a weekly basis. Recently we took representatives from 20 or 30 NGOs to an oil sands site, to give them an overview of our processes.

Creative tension is good for reporting, and is a good outcome of stakeholder engagement. The watchword, again, is to go "above and beyond the norms of the industry". It fosters progress.

What is Suncor's outlook on assurance for environmental reporting?
We will continue to assure our key performance indicators: it's essential to have our environmental data assured.

We will probably never have all our indicators assured, but we are certainly interested in assuring some of our social indicators in the near future. Deloitte have been great in working with us – having an additional look, with a critical eye, at our numbers. In terms of environmental impacts, assurance adds a lot of value and is arguably essential.

Are there any future developments in your environmental reporting that you can share?
We are in the process of developing an environmental management matrix. A GHG module and emissions module have been established, and water and waste modules are on the way; the full system should be used for the first time in our next sustainability report.

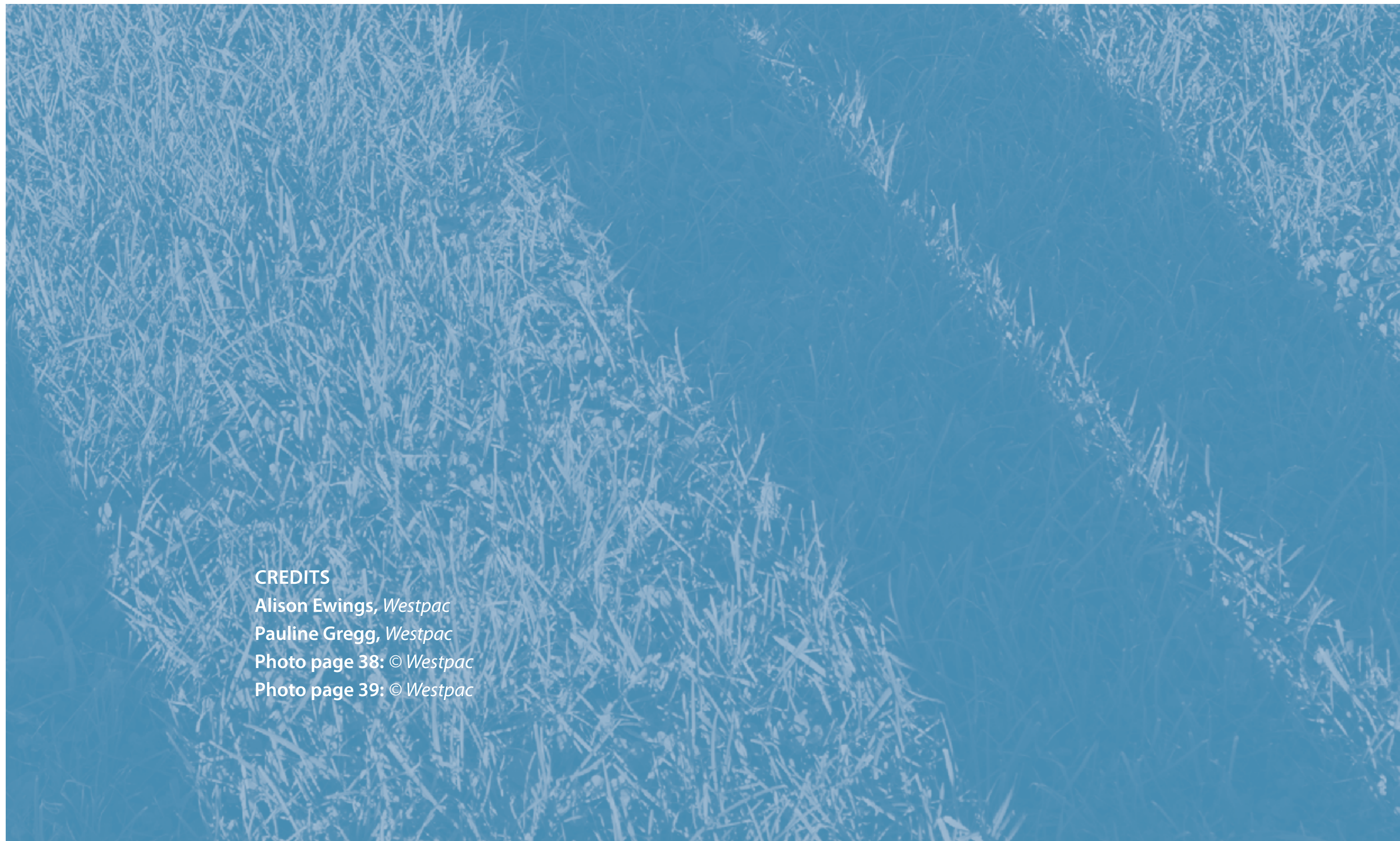
LINKS

To view Suncor's most recent report, visit: **www.suncor.com**

MERGERS & ACQUISITIONS

Bringing together sustainable practices

How are sustainability and reporting affected when two companies combine?



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MERGERS & ACQUISITIONS

Bringing together sustainable practices

Sustainability performance can affect the outcomes of mergers and acquisitions, and the converse is also true: When two companies combine, sustainability management and reporting can be impacted.

In November 2008, Westpac Banking Corporation, a recognised global leader in sustainability, merged with St.George Bank, a smaller retail bank operating primarily in the eastern states of Australia. Their sustainability operating model, including reporting, has been adapted to support the overall business strategy, business model and structure following the merge.

In your experience, to what extent are sustainability criteria considered in mergers and acquisitions?

Sustainability is typically couched in terms of 'cultural fit' rather than sustainability per se, for instance St.George's strong reputation for being community minded made it culturally predisposed to sustainability activities although the formal processes and commitments may not always have been in place.

Similarly traditional social and governance indicators are considered. More specifically, labor indicators are taken into account and traditional economic indicators are also considered. Increasingly in some sectors material sustainability aspects including carbon liabilities and supply chain risks may be taken into consideration.

Should sustainability performance be a compulsory consideration in mergers and acquisitions?

Ultimately it will be up to individual companies to decide the level of emphasis they place on sustainability dimensions. If you accept the argument that sustainable companies perform better, then it would be expected that over time more companies (particularly those that are already measuring sustainability performance) will take these factors into account. However, an important precursor to this is the availability of robust sustainability information on which these considerations can be made. Whilst the number of reports continues to increase, at current levels it is simply not possible for sustainability performance to be a consideration in all mergers, albeit that the absence of such information can be an indicator in itself. Further, the lack of consistency across reporting can still potentially make it difficult to compare 'apples with apples', even when both organizations are reporting sustainability performance.

Most companies that acquire others do so in order to achieve rapid growth. It often doesn't work out as planned. Can you see the culture of acquisitions changing, where rapid growth is no longer the main goal? And can sustainability factors make mergers and acquisitions more successful?

Mergers and acquisitions can occur for a range of reasons, not just due to ambitions for rapid growth. For instance, they may aim to access specific skills, expertise, systems, intellectual property or simply happen because changed market conditions have made the acquisition target an attractive proposition due to price considerations.

In the future sustainability has the potential to be part of the reason for mergers, such as access to innovative solutions to address sustainability problems, and natural merger and acquisitions activities within growing markets, for instance within the eco services industry.

Reputation benefits may also result from an acquisition or merger of a company that is known as a leader in sustainability. In the case of the St.George / Westpac merger, the Westpac Group's reputation as a sustainability leader has become a source of pride to St.George staff and helps to attract and retain talent in a competitive job market. This also demonstrates that sustainability can be a powerful unifying tool to assist in post-merger cultural alignment.

What happens to existing sustainability targets as a consequence of mergers and acquisitions?

There are a number of options for organizations depending on what best suits the post-merger business model. In our case there were different scenarios depending on the indicator.

For some indicators where data was available across both companies we rebased data for the target period. For instance we expanded our emissions reduction target across the merged organization and adjusted the baseline year to account for this.

Where this is not possible, it may be necessary to start again with a new baseline. For us this was the case with water data where we were unable to obtain historical water data for St.George. As some functions were centralized and employees moved between sites, there was no longer a clear distinction between 'Westpac' and 'St.George' sites so neither was it as simple as excluding St.George data from the target. Last year we withdrew our water target on this basis and are working to establish a new baseline across our Australian operations supported by a public target.

For other data sets where data became centrally managed, most notably for human resources data, our targets are set annually and were updated to reflect the merger conditions. For instance the employee engagement target was set to maintain current levels rather than improve, given the expected levels of significant change to take place during the target period.

The roll up of targets and measurement at the Group level, particularly for environmental indicators, has presented some challenges for driving performance. Being such a large organization (approximately 40,000 employees), there are teams of sustainability champions within each division who are looking to drive improved performance, so business unit measurement and targets would assist in driving that performance. The blurring of boundaries across operations has complicated this. We are working to address this challenge.

Finally, in other cases it was appropriate to have separate targets for the St.George and Westpac retail brands. Most notably was Net Promoter Scores which measure the likelihood of customers to recommend a brand's products and services. Here our organizational target is to be ranked the number 1 and 2 brands amongst the major domestic banks.

Ultimately for us it came down to what made sense in supporting the new business model, balanced against what was actually possible given the systems and data available, and the structural changes that were needed to effect a more efficient operating model.

What is Westpac's process for bringing merged organizations into the loop, in terms of sustainability? How can merged organizations work together to foster sustainability?

Initially we undertook a diagnostic to explore sustainability opportunities and risks resulting from the merger. This involved a senior member of the sustainability team working with the St.George executives.

In addition, St.George involvement was immediate within existing governance forums, for instance the Group Sustainability Council comprising representatives from each of the Group's operating areas. This allowed for the sharing of best practice, the leveraging of Group programs and involvement in establishing the Group strategic framework.

A full time sustainability professional was employed to develop a sustainability strategy for St.George that supported this overall Group framework, and to focus on up-skilling and capacity building across the St.George business. It is worth noting that some three years after the merger, the need for a 'stand alone' practitioner in St.George has diminished as take-up of the agenda has been positive and there has been substantial integration of the Group approach across the organization.

In addition, we have used our champions network to bring the merged organizations together. The 'Our Tomorrow' program operates across the Group and champions from all business units come together by sharing the one sustainability vision. The network also serves to 'celebrate the wins' of all business units and allows champions to showcase their work.

How does Westpac go about approaching incomplete data or reporting systems in a merged/acquired entity?

The first step was to identify potential data owners and any gaps, including inconsistencies in reporting methodologies. Secondly, we undertook to align the underlying systems and processes where appropriate on a best of breed basis. In some cases this occurred via the centralization of some functions, such as risk and property. Finally our action was to establish Group-wide and divisional KPIs in support of these activities, for instance our emissions reduction target is shared across the executive team whilst measures of customer satisfaction and engagement (using the same methodology) have different targets for each brand.

An additional complexity has been the production of an integrated report for the first time in 2009, just one year into the merger. The major challenge of this change was the revised, earlier deadlines for provision of data to bring sustainability reporting in line with financial year-end deadlines. However, it has been beneficial in allowing the newly merged business units to profile their contribution to the overall sustainability agenda in the new reporting environment.

Does Westpac have insight into aligning centralized sustainability concerns across merged/acquired entities while still enabling those entities' symbolic and cultural independence?

Our multi-brand model makes this an imperative. Whilst base levels of performance are set by Group policy and processes, supported by strategic focus areas agreed by

The Featured OS

Westpac Banking Corporation (Westpac) was founded in 1817 and was the first bank established in Australia. Today, the Westpac Group has branches and controlled entities throughout Australia, New Zealand and the near Pacific region and maintains offices in key financial centres around the world including London, New York, Hong Kong and Singapore.
The Westpac Group employs over 40,000 people and has five key customer facing divisions through which it serves around 11.8 million customers.

COMMENTARY

In this Commentary, Marina Migliorato, Head of CSR and Relations with Associations at Enel, explains how merging several companies worldwide can impact sustainability reporting:

After being a single-market player, and following its 1999 liberalization, Enel now boasts operations in 40 countries on four continents, and its reach stretches from Lisbon to Santiago via Moscow with more than 78,000 employees. Therefore, the Enel CSR team has been pushing forward an ambitious plan to integrate sustainability and responsible behavioural patterns through every strand of the expanded company.

The main aspect of Enel's ongoing integration effort revolves around sustainability reporting. In order to make sure that all Enel's reference people and data owners are aligned with GRI's G3 Guidelines and the Electric Utilities Sector Supplement, and shortly with the G3.1 Guidelines, the Enel team is constantly in touch with CSR key contacts in every country. The reporting process provides external stakeholders with an up-to-date, no-nonsense account of how the entire Enel Group is performing. But, more importantly, it also builds internal engagement.

How is it put in place? Every November, the CSR Department sends a request for information to the members of Enel's worldwide CSR network. That triggers them to ask their colleagues for information, and so on and so forth down the management chain.

Each of the subsidiaries that Enel has acquired has its own business culture. Aligning all these is not an overnight job. One factor that will ensure this process takes places smoothly is the alignment of Enel's internal decision-making process. Functional responsibility for CSR sits with CSR Department at the corporate centre. Each subsidiary also has an in country CSR representative. In the case of Spanish utility Endesa, there's a separate team.

the Executive Team and the Board, it is how each operating area responds to these areas that can differ. The response should align with their overall divisional strategy and reflect their unique customer base and other key stakeholders. For instance in relation to climate change our organizational footprint activities are led by our operations area whilst credit risk assessments, trading products and renewable financing are the focus of the institutional bank. The response also varies between retail brands: Within the Westpac brand the focus is more on business customers operating in emerging markets such as solar, as well as the opportunities for the agricultural sector in carbon farming, both key segments for this brand. For St.George the focus is likely to be more on household responses.

One major parallel between sustainability performance and mergers and acquisitions is the use of stakeholder consultation. How does such consultation differ between these two situations?

Stakeholder consultation is vital in each activity, although the focus is quite different. Often in mergers and acquisitions the focus is on seeking approvals for the transaction. For sustainability performance the engagement is often more investigative, what are the types of issues that should be considered by the organization and potentially a greater focus on the co-creation of solutions.

How does the process of determining material topics to report on evolve or change when applied to a newly merged group?

It is important to test whether there are any material issues unique to the new entity that will need to be managed. In the case of this merger, there was strong alignment in the issues given the two companies were banks operating primarily in Australian markets. There would of course be significant differences if 'bolt on' acquisitions or mergers were made between companies operating in vastly different sectors – for example a bank acquiring a mining company.

In our case, the merger itself featured on our materiality register for a number of years with stakeholders concerned about whether the St.George brand would indeed be maintained, what the merger meant for job security within the organization, for customer service levels and overall competition within the industry, although over time these concerns have reduced.

The size of the newly merged organization brought with it additional material issues. Westpac had previously been under the threshold for a number of pieces of mandatory reporting legislation but with the addition of approximately 64,000 tonnes of CO_2~e (representing an 36 percent increase in our footprint) we triggered the reporting threshold for two pieces of local legislation.

A big GRI workstream is now focused on sustainability in supply chains. What is Westpac's insight into integrating sustainable supply chains in a merger or acquisition?

Given the similar nature of the businesses merged there were a number of common suppliers who had already completed Westpac's Sustainable Supply Chain Management questionnaire and/or code of conduct, which is required of all suppliers.

In addition the integration of sourcing as a shared function across the Group's Australian operations meant that as contracts came up for renewal they were retendered across the merged business.

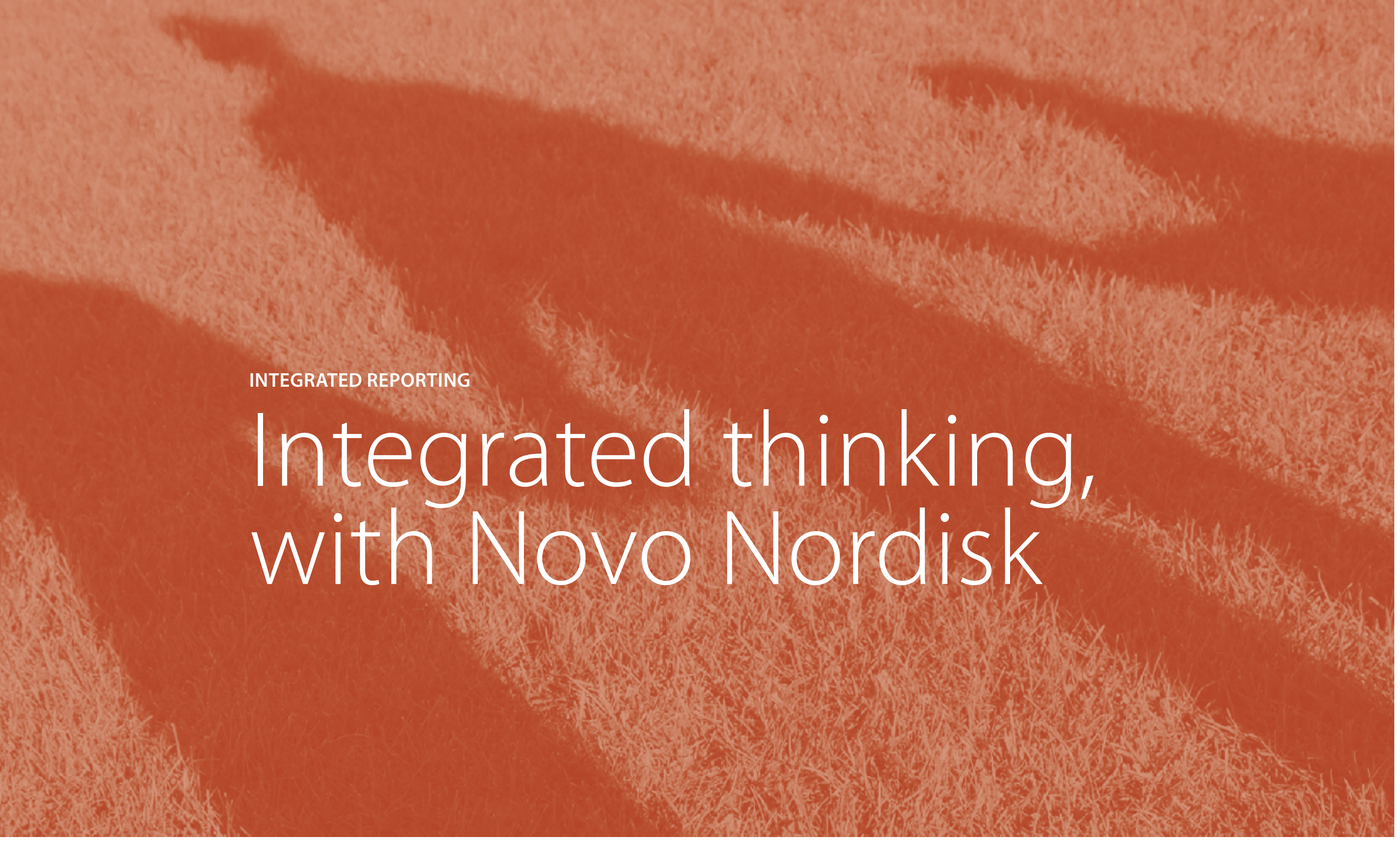
As supply chain spend overall grew as a result of the merger (from AUD 2.7 billion to AUD 4.2 billion) a number of changes were made to our sustainable supply chain management practices. Most notably we increased the number of suppliers required to undertake an in depth sustainability questionnaire from the top 100 supplier by risk and spend to the top 150. A number of these suppliers have their responses independently verified each year.

LINKS

To view Westpac's latest report, visit: **www.westpac.com.au**

THE KNOWLEDGE SHARE PROJECT PORTFOLIO

Trends



INTEGRATED REPORTING

Integrated thinking, with Novo Nordisk

How will integrated reporting change corporate disclosure?

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INTEGRATED REPORTING

Integrated thinking, with Novo Nordisk

A model of corporate reporting is being developed that captures the full implications of company strategy and operations. It is a model that anticipates the combined reporting of financial and non-financial information by companies becoming as commonplace and normal as a team meeting or an audit. This is integrated reporting - and it is set to change the way companies communicate.

Integrated reporting means the combined analysis of organizations' financial, economic, environmental, social and governance disclosures. The South African Stock Exchange has established integrated reporting as a listing requirement. But for many, integrated reporting is an inprogress concept, its progress facilitated by the International Integrated Reporting Committee (IIRC), of which GRI is a founder member.

Comprised of experts from, among others, the financial, accountancy and sustainability fields, the IIRC is tasked with developing an international framework for integrated reporting. One of the framework's goals is to enable reporting that leads to integrated thinking, emphasizing the fundamental link between financial and non-financial performance, and how they flow from and to an organization's core business strategy.

Since 2004 Novo Nordisk has called its annual reports integrated reports. What is Novo Nordisk's definition of an integrated report?
Actually, the title of our report is Novo Nordisk Annual Report: Financial, Social and Environmental Performance and the report includes both financial and non-financial statements. We've always said the purpose of reporting this way is to explore the interaction between financial and nonfinancial performance. A company cannot be sustainable if it goes bankrupt, so being financially responsible is a part of managing our business in a way that benefits society.

Our business is managed using the triple bottom line principle, and our integrated reporting format is intended to more accurately reflect the way our company is managed. We believe this provides much greater transparency than reporting nonfinancial performance without the context of financial performance.

Our integrated annual reporting began in 2004 as a request from our Board of Directors. They prefer to review all aspects of performance together.

Why does Novo Nordisk consider their integrated reports to be leading the field?
Because we have produced seven integrated reports, our reporting is well known to many people interested in reporting. However, we are constantly trying to improve our reporting and our integrated performance management system and we are excited that many other companies are becoming interested in integrated reporting because we believe we can learn from others.

What challenges and obstacles did Novo Nordisk have to overcome to implement integrated reporting?
Reporting should be part of the company's internal management system, the part that is visible externally. Reporting that does not reflect internal management is closer to public relations. Our efforts to continually improve our reporting reflect our efforts to continually improve the way we manage our business using the triple bottom line principle.

In other words, integrated reporting is not appreciably more difficult than creating standalone financial and non-financial reports. What is more difficult is developing non-financial accounting systems so they are as robust and reliable as financial accounting. And, the more embedded

COMMENTARY

This chapter's Commentary comes from Alison Ewings, Senior Sustainability Advisor at Australia's Westpac Banking Corporation:

It is interesting that a number of companies have moved towards integrated reporting in various locations around the world. Companies that operate in quite different regulatory environments, from different industries and with different stakeholder needs; the driver in these instances has often been the point the companies find themselves reaching. For Westpac, as it would seem to be for many others, it was a logical progression in our reporting. As sustainability becomes more embedded in our culture, processes and decision making, separating what is 'sustainability' from what is 'business as usual'activity is becoming increasingly difficult.

Likewise, this thinking made it harder for us to separate what should go in the sustainability report as opposed to more traditional annual reporting. The increasingly overlapping nature of these documents meant that preparing the documents separately simply no longer made sense.

By starting to integrate our reporting we have been able to work more closely with colleagues in finance and legal to strengthen our overall reporting and enhance the way we communicate business value.

The challenge for reporters is to make sure that the integration of reporting doesn't leave behind users of sustainability information in a report more tailored to the needs of the investment community: to concentrate on reporting rather than just the report, and to maintain the dialogue and discussion that a sustainability focus brings. The integration of this discipline into corporate reporting has, in my view, the potential to be extremely powerful

sustainability objectives are in the core business strategy, the more difficult it can be to change objectives or focus areas. More people are involved and they have much stronger opinions. On the other hand, if your sustainability objectives are not tied to your company's core business, you are probably not having as much of an impact as you might have.

How is Novo Nordisk participating in the international development of integrated reporting?
Integrated reporting is a result of improvements in all types of reporting. Financial reporting standards continue to evolve as do standards for non-financial reporting and accounting. In some countries, companies have been required for many years to disclose toxic waste site information or data related to employees as part of mandatory reporting. Integrating reporting is the logical extension of these ongoing trends.

Denmark, our home market, was one of the first countries to require more than 1,000 of the largest companies to report on non-financial performance in financial reports.

As an integrated reporter based in Denmark, we have been asked to provide input for discussions in other countries considering mandating steps toward integrated reporting, and we have also provided testimony to the EU parliament on the subject.

We have worked with both the International Integrated Reporting Committee (IIRC) and GRI to further develop standards, share best practices and map out where integrated reporting can and should evolve. This has involved sitting on committees and providing input to pilot projects and standard development.

We have also been involved in many academic research projects looking at integrated reporting and our reporting has been the subject of academic papers, case studies and books. Recently we have provided input and shared our reporting history, philosophy and practices with the authors of the One Report, Harvard Business School Professor Bob Eccles and Grant Thornton Partner Mike Krzus, and the authors of a chapter for Accounting for Sustainability, Colin Dey and John Burns, who were both professors with the University of Dundee at the time of our collaboration.

What resistance or arguments against integrated reporting have you encountered from stakeholders?
In our experience, the most vocal resistance to integrated reporting is from those whose livelihoods involve standalone sustainability reporting. There are people who believe that their existing businesses could be hurt if more companies report on sustainability objectives in their financial reporting.

For the most part, stakeholders appreciate that Novo Nordisk's reporting is concise, straightforward, and presented in an integrated manner. We do receive a lot of feedback from around the world and we pay a lot of attention to general criticisms of reporting. In our integrated reporting, we are trying to address many common criticisms about sustainability and corporate responsibility reporting such as lack of comparability and poor data quality.

Many in the integrated reporting field point out that an integrated report is not just the stapling together of a financial and sustainability report. Can you explain the difference?
We've always said the purpose of integrated reporting is to explore the interaction between financial and non-financial performance. We believe that context is important to understand all aspects of performance. Our financial and non-financial performance is interrelated. For example, our recent reductions in CO_2 emissions at our Danish production facilities would be less interesting if sales of our products were not undergoing double-digit growth. It would be much easier to reduce resource consumption and emissions if our sales were falling and we were closing production facilities.

In your view, why and how is the investment community influencing integrated reporting?
Historically, non-financial reporting has not been comparable over time or across industries and data quality has been suspect. End users of reporting, which include but is not limited to investors, are vocal advocates of improving reporting quality. From a company perspective, it makes sense to provide information in a format that is useful for decision making purposes. In Novo Nordisk's case, our reporting reflects the information needs of Executive Management and the Board, as well as external report users.

Part of our rationale for integrated reporting is that we believe that Novo Nordisk creates value in ways that are not captured on a balance sheet or income statement. SAM, the company behind the Dow Jones Sustainability Index, has done research on the amount of alpha, or return on investment, associated with sustainability management. Many 'mainstream' investors, such as Goldman Sachs view some sustainability indicators as proxies for management quality. Managing a business sustainably involves looking at risks holistically and taking a long-term perspective. These are hallmarks of good management and are the types of things that investors value.

Confidence in traditional financial data is high; confidence in the newer field of nonfinancial disclosure is much lower. How can this be addressed?
Confidence in non-financial data can be improved by improving the timeliness and robustness of information. Management needs information more than once a year if they are to use it in decision making. If you don't collect data more than once a year, it is also difficult to actively manage social and environmental performance. To improve the quality of non-financial information requires applying the same principles and procedures which are currently used for the financial information. This means having appropriate internal control procedures in place to ensure a high level of data quality. At Novo Nordisk, the internal control process for non-financial data includes clearly defined accounting policies, and verification of accounting processes by PriceWaterhouseCoopers.

Because Novo Nordisk publishes financial and non-financial statements together in an integrated report, financial and non-financial performance are reviewed by the Audit

The Featured OS

Global Reporting Initiative™ Organizational Stakeholder 2011

Novo Nordisk is a global healthcare company with 87 years of innovation and leadership in diabetes care. The company also has leading positions within haemophilia care, growth hormone therapy and hormone replacement therapy.

Headquartered in Denmark, Novo Nordisk employs approximately 30,000 employees in 76 countries, and markets its products in 179 countries.

Denmark was one of the first countries in the world to promote non-financial reporting among its domestic companies. And Novo Nordisk has championed nonfinancial reporting as a vital component of its Sustainability Promise:

We believe that a healthy economy, environment and society are fundamental to long-term business success. This is why we build our business on the Triple Bottom Line principle, and make significant contributions to address global challenges such as the diabetes pandemic, climate change, natural resource constraints and imbalances of social development and economic prosperity.

Novo Nordisk has formulated official positions on issues of relevance to their business and their role as a global corporate citizen. The positions cover issues ranging from animal experimentation and clinical trials to counterfeit medicines and gene technology.

A highly experienced reporter, Novo Nordisk has been integrating its financial and non-financial disclosures since 2004 - the year it joined GRI's Organizational Stakeholder program.

In this chapter, Susan Blesener and Scott Dille of Novo Nordisk discuss the development and future of integrated reporting.

> Because onboarding a new employee is a very training-intensive process, reducing turnover can also reduce costs.

Committee of the Board at the same time. The process for reviewing performance is therefore aligned throughout the company, and this increases the robustness of data systems and confidence in data quality.

The IIRC is tasked with developing an international framework for integrated reporting? At this stage, what are your expectations and hopes for this?
What we see as particularly encouraging is that the financial reporting standards bodies are part of the IIRC process. Developing a reporting framework that encompasses required financial reporting would be a big step forward for companies like Novo Nordisk. In the long run, we hope this work leads to a new understanding of how companies should work and report. The objectives of the IIRC are very closely aligned with our own objectives for integrated reporting. These include:

a) support the information needs of long-term investors, by showing the broader and longerterm consequences of decision-making;

b) reflect the interconnections between environmental, social, governance and financial factors in decisions that affect longterm performance and condition, making clear the link between sustainability and economic value;

c) provide the necessary framework for environmental and social factors to be taken into account systematically in reporting and decision-making;

d) rebalance performance metrics away from an undue emphasis on short-term financial performance; and

e) bring reporting closer to the information used by management to run the business on a day-to-day basis.

Can you tell us how Key Performance Indicators for your Annual Report are developed?
The development of indicators reflects: Consultation with operating units so that what we report on accurately reflects the way the business is run; Best practice in terms of internal control procedures and accounting policies so that the data reported is of high quality; And a level of comparability with other companies – where this is relevant – so that the data reported is useful for external users. As an example of this, our CO_2 emissions reporting reflects the GHG protocol.

The key performance figures reported on the inside front cover of our annual report represent key aspects of our financial, social and environmental performance. The indicators reported reflect the dimensions of performance that we believe are most material in terms of managing our business:

For financial performance, we report on sales (broken done by business segment) and key financial ratios including operating profit, effective tax rate and return on equity invested.

For social performance, we report on our efforts to increase access to treatment and care in developing countries (through support of programmes run by the World Diabetes Foundation and the Novo Nordisk Haemophilia Foundation and through differential pricing offerings for Least Developed Countries) and our efforts to innovate for the benefit of patients (in terms of new patents.) We also report on employee turnover, which relates to our long-term target for employee engagement.

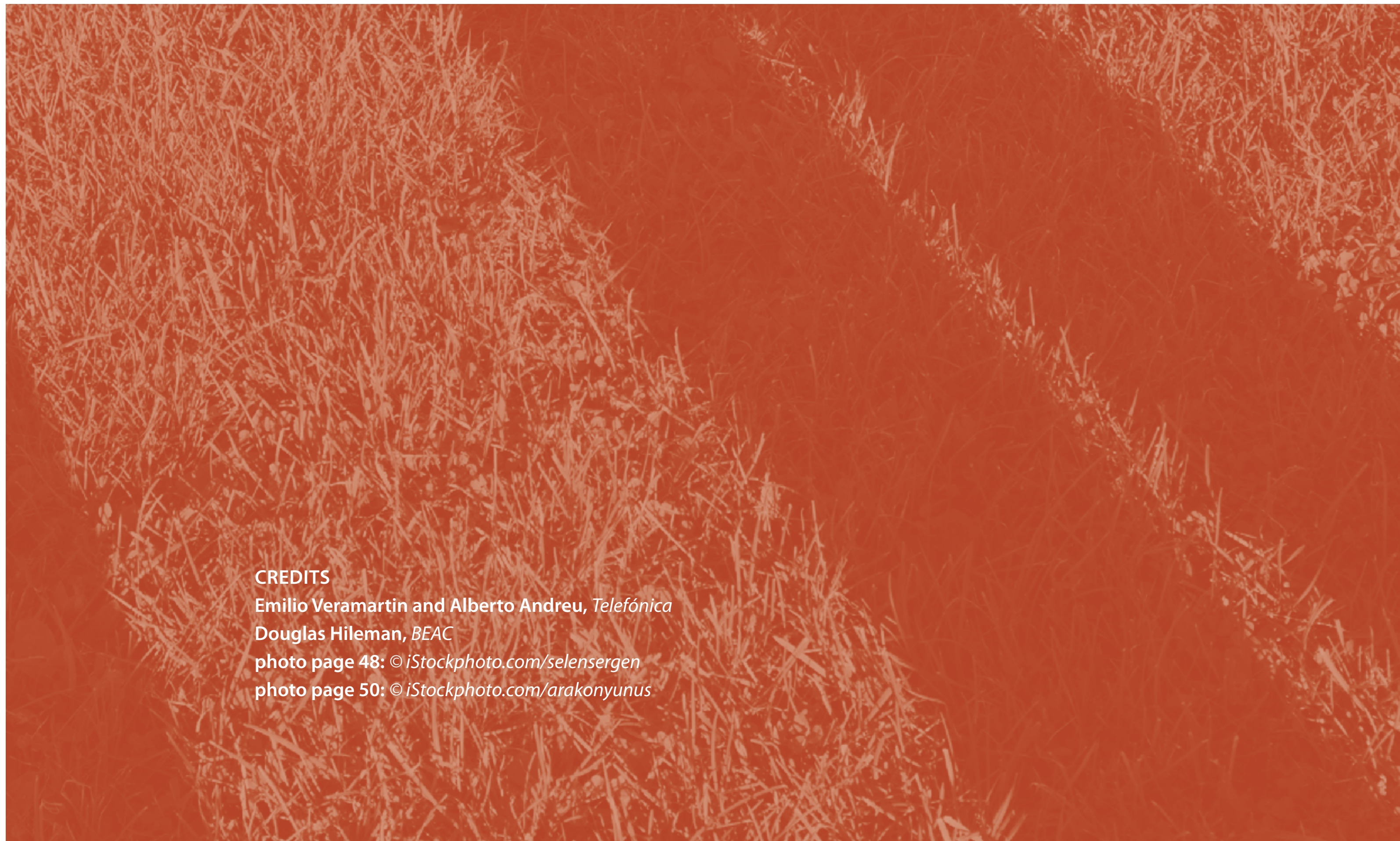
For environmental performance, we report on inputs and outputs related to the production of our pharmaceutical products.

What is most interesting is how these dimensions of performance are inter-related. Reducing water and energy required for production lowers production costs. This in turn is directly related to gross margin. Because onboarding a new employee is a very training intensive process, reducing turnover can also reduce costs. Our key performance figures also reflect our longterm view and our interest in building reputational capital and protecting our license to operate. We believe it is necessary to increase access to treatment and care globally. While the impact of this may be small in the short-term, we believe that it has a significant impact in the long-term.

MULTI-TIERED REPORTING

Building blocks for reporting, with Telefónica

How do you combine different reporting frameworks?



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MULTI-TIERED REPORTING

Building blocks for reporting, with Telefónica

Organizations that report using GRI's Framework have always been free to combine GRI Performance Indicators with those of other frameworks, and their own. This multi-tiered approach to using sustainability reporting guidance is on the increase.

The combination of different frameworks ties in with other important developments in the reporting field. 'Harmonization' – the deliberate compatibility of different frameworks - is a hot topic. GRI is committed to the increased harmonization of its Guidelines with those of allied organizations, such as the Organization for Economic Cooperation and Development (OECD).

The Integrated Reporting agenda is also progressing. Integrated reporting is a new model for corporate reporting, where combined analysis of financial and non-financial disclosures provides stakeholders with a complete view of a company's performance, value and assets. Organizations using a multi-tiered approach to reporting are gaining insight into the future possibilities of integrated reporting.

Telefónica is well known for using three frameworks for its reporting; GRI's Guidelines, the United Nations Global Compact (UNGC)'s Principles, and their own sustainability criteria.

Describe Telefónica's combination of reporting frameworks.
Telefónica presents its sustainability reporting organized into 3 different blocks.

Block 1 is available in the printed Annual Corporate Responsibility Report 2009, the objective of which is to build a common basis for Corporate Responsibility reports with an inter-sectoral approach, responding both to the Principles of the UNGC and the guidance of the Global Reporting Initiative. It's about 50 pages.

Block 2 corresponds to the Annual Corporate Responsibility Report 2009, which includes discussion of the most relevant matters identified in the materiality analysis carried out by the Company based on the impact on the strategy of the Group and the priority for the stakeholder groups. In order to carry out this analysis, Telefónica made use of analysis of the materiality of the Information and Communications Technology sector, performed by the Global e-Sustainability Initiative (GeSI), which highlighted a number of issues directly affecting the sector. The PDF version is about 200 pages.

Block 3 is available in the local Corporate Responsibility reports, which respond to matters relevant to the realities of each country. The extent and the format depend on particular local needs.

Why did you choose a multi-tiered approach to sustainability reporting?
Telefónica presents its Sustainability Report organized into 3 different blocks in order to cover all the materiality points for three different kinds of stakeholder: global, sectoral and local. Corporate responsibility reports are prepared for stakeholders. It is material that belongs to them, and we can provide more transparency and reliability with multi-tiered reporting.

So Telefónica decided to use multi-tiered reporting in order to increase stakeholder engagement, as there are clear differences between our local, sectoral and global stakeholders. For example, what is relevant for a local labor union in Colombia needs a different approach than what is relevant for a consumer association in the UK. Being a global corporation doesn't have to mean being non-local.

Telefónica uses GRI guidance across the three report blocks. GRI is a common language and very useful for communicating across local, sectoral and global issues. At the global level, for instance, we cover the ten UNGC Principles, but employ GRI Indicators in each of them. We reached the 3 block model through a permanent dialogue with UN, GRI and other global institutions.

People may assume that using multiple reporting frameworks means more work. Is this the case? And what resources does Telefónica have in place to cope with such detailed reporting?
Of course, we dedicate more time to reporting. But we believe that transparency and stakeholder engagement create value for the company and its shareholders. As of today, we have people devoted to Corporate Responsibility in each of the countries we operate in.

How do you prioritize topics and disclosures across the different report blocks?
We give GRI guidance the same priority across all three Blocks. The first Block is based on the Ten Principles of the UNGC, and we cover all of them with the same priority. For the second Block we use materiality criteria to prioritize topics, while the third Block is focused on just one specific local topic.

What problems and challenges have Telefónica faced in trying to combine different reporting guidance?
The main reporting challenge for a company like ours is to deal with 19 different countries in order to create just one sustainability story for the Block 1 report, and then select just a few projects as examples for each of the topics for Block 2. The number of projects that the company initiates through all countries is very large. Sometimes it is not easy to prioritize or summarize just a few of them. The relevant facts about the projects are not the same for London as they are for the Amazonas area in Brazil, for instance.

Harmonization is a fashionable concept in reporting at the moment - the idea that different reporting frameworks should be compatible and used together. Telefónica is already experienced in this area – do you have anything to add to the harmonization argument?
Harmonization is crucial, always. And GRI provides us with the tools to harmonize

> " Corporate responsibility reports are prepared for stakeholders. It is material that belongs to them, and we can provide more transparency and reliability with multi-tiered reporting."

COMMENTARY

This chapter's Commentary comes from the Board of Environmental, Health & Safety Auditor Certifications (BEAC), and is provided by Douglas Hileman, Chair of BEAC's Marketing Committee:

The approach of Multi-Tiered reporting is not uncommon for entities that operate in many business units, regions, or under other factors that vary across the organization. Each region/ business unit may set their own goals and performance metrics. Each layer of management reports on their progress; the content of these reports can influence their regional market position, stakeholder relations, and compensation of senior management. There can be varying degrees of infrastructure to compile and manage the data and information at different tiers. Senior management, shareholders, and many other stakeholders depend upon data – much of which is aggregated – to make important decisions. This highlights the importance of rigor in data and information – whatever the parameter, and from wherever it is generated. Auditing helps ensure this quality. Experienced auditors, with credentials such as a Certified Professional Environmental Auditor, play a key role at all levels of an organization that does Multi-Tiered reporting.

There is increasing interest in integrated reporting (financial and non-financial). Financial reporting is subject to accounting rules, and strict requirements for detailed audits for publicly-traded companies. Few countries have corresponding standards for data quality, for audits, or for auditor code of ethics or competency for environmental or sustainability auditors. Experienced auditors, such as those holding the credential of a Certified Professional Environmental Auditor, can provide a baseline of experience, ethical behavior, and competence.

Douglas Hileman, *P.E., CPEA, QEP*

The Featured OS

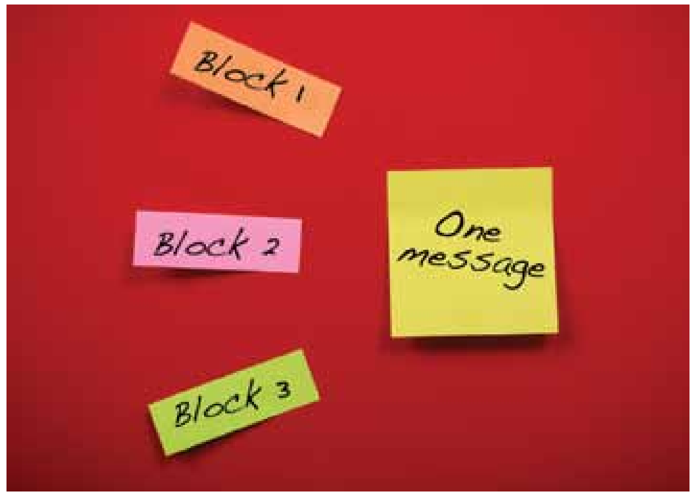
Telefónica is a leading global telecom operator: The Telco leader in sustainability (DJSI) and the Most Admired Telco in the world (Fortune), with a presence across three continents and over 288 million customers. Telefónica has 150.000 employees, 17.000 suppliers, and 1.6 million shareholders. Some 500 million people live in the countries where Telefónica operates.

Since 2002 the company has published yearly Corporate Responsibility Reports as the key tool to promote active dialogue with stakeholders on the performance and impact of the company. This reporting model has been extended to its business lines (including Telefónica Móviles and Telefónica de España) and to local operations in particular countries, including Brazil, Argentina, and Chile.
Since the beginning, Telefónica has adopted the GRI Guidelines as inspiration for its reporting activity.

Telefónica has contributed to the GRI Guidelines – UNGC Principles linkage document, been involved in the development of the Telecommunications Sector Supplement and Report Boundary Working Group, and has an executive presence on GRI's Stakeholder Council.

Telefónica became Organizational Stakeholders in 2004.

For this chapter of the OS Knowledge Share, Emilio Veramartin of Telefónica Spain discusses multi-tiered reporting.



> "Integrated reporting is key. If there is just one message, about the overall value and sustainability of a business, why report different messages in different formats?"

different frameworks. Using GRI as a common language adds much value to our work.

Telefónica operates across the Spanish and Portuguese speaking world. How does your multi-tiered reporting help you deal with different sustainability issues in different territories?
The 3-framework model allows us to manage the interests of different stakeholders, wherever they are. As a global company Telefónica has stakeholders in different countries, with different cultures and grades of social and economic development; like the differences that exist between Latin America and Europe. This is one of the reasons why we report on close to 60 GRI Performance Indicators. Transparency is crucial for us.

Do the methods used to compile reports differ from region to region?
Cultures are different in different countries, but Telefónica is just one team. We share the same tools through the different regions and countries in order to compile and analyze information. Credit360 is a big help for us in relation to this, and all the countries are familiar with this tool.

It is now recognized that information from sustainability reports should be brought close to senior executives at an organization, in order to inform strategy, policy and operations at the highest level. Does multi-tiered reporting affect this?
It really helps. It helps because it involves even more top management personnel in different countries, and not only the corporate executives. Our way of reporting helps to improve the common corporate culture that Telefónica is implementing in its strategy program.

How does your multi-tier reporting method increase Telefónica's competitiveness?
Stakeholder engagement is a major asset for Telefónica. And nowadays, intangible assets such as this are acquiring more and more relevance. Our comprehensive reporting system allows us both to increase the reputation of the brand in general and the common CSR strategy, and be closer to each customer, to each employee, wherever they are.

Telefónica has also expressed interest in increasing collaboration in the telecoms sector through its reporting. What form do you think this cooperation will take?
Telefónica contributes to many different forums and debates. We believe that everybody can learn from everybody else, in order to create a more sustainable world with more sustainable companies. Our target is to create brand value through the sustainability of the company, to reduce risks and take advantage of the opportunities that a sustainability focus can bring to our products and services. This is something that will create value for everyone in the value chain, and to everyone in the market. It is good for everybody, like an ecosystem, like symbiotic organisms that will live longer by helping each other.

This value creation is evidenced by Stock Exchanges; just look at the long-term performance of the companies rated on the Dow Jones Sustainability Index against those of the general DJ Industry Index.

The integrated reporting agenda is growing. What comment would you make about the development of integrated reporting?
Integrated reporting is key. If there is just one message, about the overall value and sustainability of a business, why report different messages in different formats? We work hard to formulate a common strategy that takes into account both financial and non-financial targets. And we always publish both reports together, the same day, within the same pack. There is only one Telefónica…

Why is Telefónica striving for global organizational transparency?
Because we do believe that transparency and comparability creates value for the leading companies and their stakeholders. Financial stakeholders understood this a long time ago, and have been developing standards ever since in order to provide plenty of clear and comparable information about what's behind Earnings-per-share or a balance sheet. But transparency means something more than a Profit & Loss statement and a balance sheet. We have work to do, alongside organizations like GRI, to gain a better idea about how we can create value and make our society more sustainable. Global organizational transparency will create better leaders in every market. Telefónica aims to be a leader of the digital world.

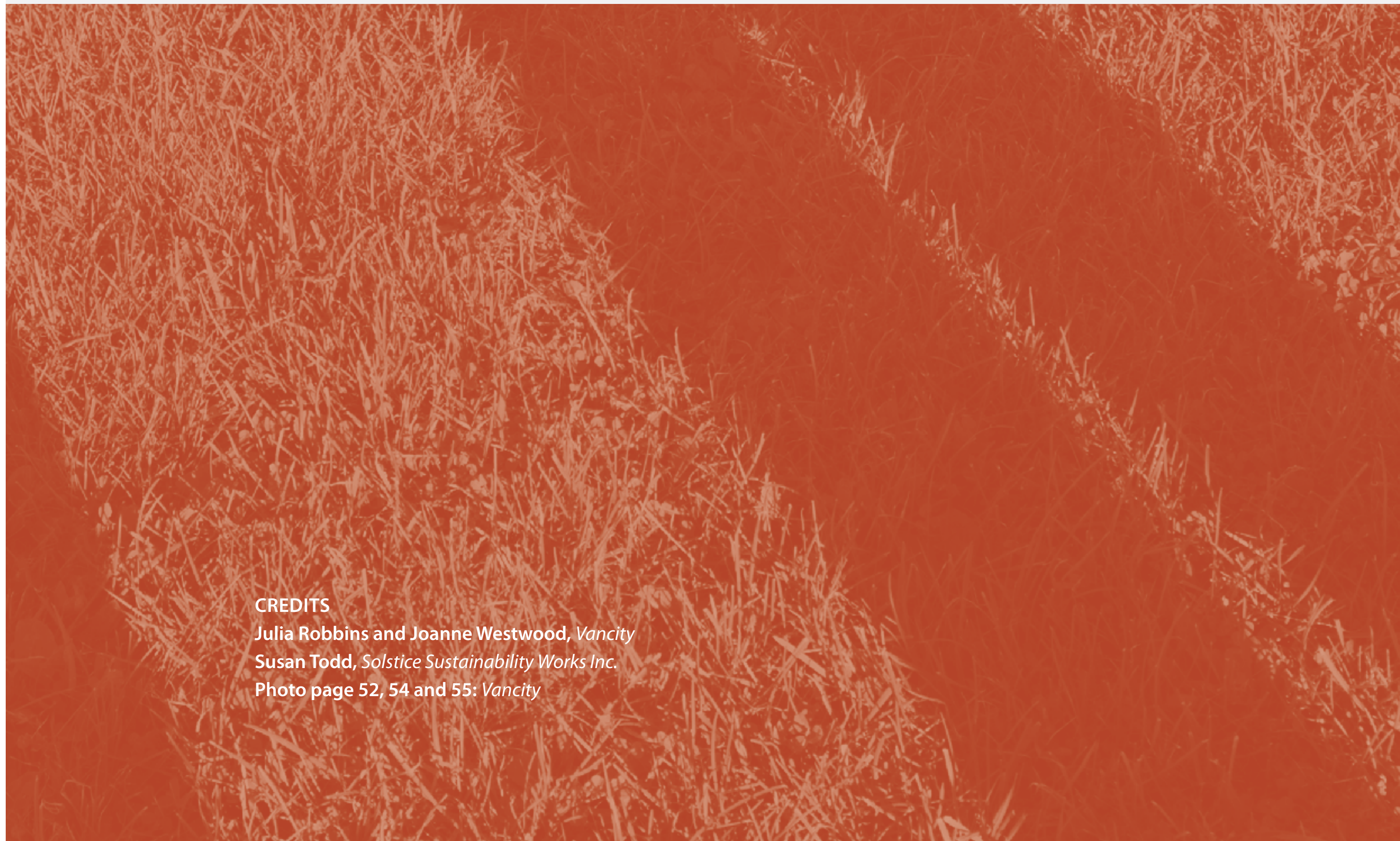
LINKS

For more information on Telefonica's sustainability focus, visit: **www.telefonica.com**

LINKING GRI REPORTING WITH ACCOUNTABILITY'S AA1000 STANDARDS

Balanced books, with Vancity

How does the guidance of GRI and AccountAbility fit together?



CREDITS
Julia Robbins and Joanne Westwood, *Vancity*
Susan Todd, *Solstice Sustainability Works Inc.*
Photo page 52, 54 and 55: *Vancity*

Balanced books, with Vancity

The Featured OS

Founded in 1946, the member-owned Vancouver City Savings Credit Union - Vancity - is Canada's largest credit union, with 59 branches in British Columbia serving over 417,000 members. Vancity's major activities cover day-to-day banking, lending, and investment services. Vancity employs almost 2,400 people, and has $15 billion CAD in assets. Vancity is a member of the Global Alliance for Banking on Values, an independent network of the world's leading sustainable banks sharing the commitment to achieving triple bottom-line impact through responsible banking practices.

Vancity does not have a standalone sustainability strategy, instead stating that sustainability is an integral, inseparable part of its business. Vancity launched its Vision for redefining wealth in 2008: "We seek to redefine wealth in a way that goes beyond profit alone to include social justice, environmental sustainability and community well-being. Our definition of wealth goes beyond the trade-offs assumed in a triple bottom line approach to one that creates true blended value."

Vancity began preparing reports on its environmental and social performance in 1997, and joined the Organizational Stakeholder Program in 2004.

In this chapter, Joanne Westwood and Julia Robbins of the Accountability Reporting team in Vancity's Finance division talk about linking GRI reports with AccountAbility's AA1000 series of standards.

GRI's Framework provides some of the most comprehensive guidance available for reporting economic, environmental, social and governance performance in a sustainability context. AccountAbility's AA1000 series are principles-based standards to help organizations become more accountable and responsible: They address issues affecting governance, business models and organizational strategy, as well as providing operational guidance on sustainability assurance and stakeholder engagement.

In terms of actually using the guidance, what advantages do GRI's Guidelines offer compared to AA1000, and vice versa?
We see GRI's strength to be performance measurement and reporting. Once we have determined what is material to us and our stakeholders, we look to GRI to determine which of the indicators are relevant to us. It also provides useful guidance on report quality.

AA1000 provides us with broader guidance on linking reporting with strategy and planning, and involving stakeholders in our decision-making processes.

We always stress that reporting is more about the process than the end product - the report. Reporting is a management tool. We find the AA1000 principles of Inclusivity, Materiality and Responsiveness really push us towards integrated 'thinking' and linking strategy, risk and reporting.

As well as GRI's Guidelines and the AA1000 standards, Vancity also reports using ISO guidance and internally developed indicators. Why is it important for Vancity to combine reporting guidance in this way?
Different standards have different strengths. We look to which standard will add the most value to our reporting practices in terms of adding confidence, both internally and externally, that we are measuring and managing the right things. We aren't subject to the same degree of pressure for standardized reporting as publicly listed companies are, but it's important to us that we apply the same rigor and controls to non-financial data as we do to financial data, as we use both to inform decision making.

GRI does not go into great detail on GHG reporting, so we look to the GHG Protocol and ISO 14604-1. Another non-financial standard we look to is the Public Accountability Statements applicable to federally regulated financial institutions in Canada with more than $1 billion CAD in equity.

In addition to these standards we also report some of our own indicators, either because they are core to our co-operative values and business strategy, or because we know they are of particular interest to key stakeholders. What's material to Vancity and our stakeholders is more important to us than adhering to a particular sustainability reporting standard. Fortunately the standards are flexible and allow us to focus on what's material while still meeting them.

> What's material to Vancity and our stakeholders is more important to us than adhering to a particular sustainability reporting standard.

Are there any specific challenges for reporting that are created by combining GRI's Guidelines with AA1000?
In general, we find these standards to be complementary. However, one issue we encountered was trying to clarify if our most recent report, which was externally assured using the AA1000 Assurance Standard, met the criteria for a 'plus' level declaration per the GRI Application Levels. We discovered from discussions with both GRI and assurance providers that GRI's guidance includes a variety of approaches as to what meets the 'plus' requirement. In the end, we did declare our report to be A+ as we feel our assurance process is very robust, but more focused guidance here would be useful.

Another minor challenge we've experienced is we often find ourselves having to explain the two standards, their differences and why we use both. This isn't clear to the average user of our reports.

Vancity has a very positive focus regarding its impacts, aiming to "Create large-scale positive impacts in the communities in which our members live and work." Can you give an example, or examples, of how your reporting practice has led to this, or informed the process?
Our reporting practices have certainly made us more aware of our social, environmental and governance performance and the impacts we have as a financial institution. They have driven many improvements including our leadership in the areas of carbon neutrality, and more recently, our commitment to become a Living Wage Employer.

Currently, we are excited to be developing a broad set of community impact measures. We hope by implementing these, we will better understand the impacts we currently have - or could have - on our members and their communities. Our plan is to use the results very deliberately to drive our strategies and programs to achieve greater positive impacts.

"We do not have a separate sustainability strategy. Sustainability is embedded in the way we do business." Why does Vancity choose to say this? And how do you use your reporting to evidence it?
Our Vision - redefining wealth - and co-operative values position us as an organization that balances sustainability and financial factors when making decisions. We believe we can be both profitable and have a positive impact on our members and their communities. In fact, having a positive impact is the key driver of our growth strategy.

Earlier this year, we produced our first integrated report—our 2010 Annual Report. We had been thinking about integrated reporting for quite some time prior to this, and actually commissioned a research report on integrated reporting in 2004 (see http://bit.ly/ofAsxe). But it was our Vision, launched in 2008, which made it clear that having two reports no longer made any sense. We felt it was important to have one report telling the complete story of who we are. We also liked the idea of an expanded audience for both financial and sustainability information. While there were some efficiencies gained by integrating two reports into one, this was not a key objective.

Our first integrated report has been really well received. We structured it around our business model, which allows us to explain how we make, spend and invest our money in a way that's consistent with our Vision and values. Both employees and members have commented on the educational component of the report.

COMMENTARY

Susan Todd, Principal, Solstice Sustainability Works Inc.

Solstice Sustainability Works (www.solsticeworks.ca) advises organizations on sustainability strategy, management, reporting, and stakeholder engagement. Solstice brought rigour to early corporate social responsibility (CSR) work in Canada by applying management system frameworks and structured stakeholder engagement. Since 2003, Solstice has also led The Accountability Project (www.theaccountabilityproject.ca), which delivers certified training in sustainability standards and frameworks. An early member of AccountAbility, Solstice has also been a GRI OS since 2006.

How do the AA1000 standards relate to the GRI Guidelines?

As a coach to organizations on sustainability reporting and a trainer of sustainability practitioners, this is a question I hear often. The simple answer is that they have different, and complementary, purposes. GRI offers a framework for reporting, while the AA1000 standards guide assurance (AA1000 Assurance Standard), stakeholder engagement (AA1000 Stakeholder Engagement Standard), and accountability to stakeholders, not just through reporting but in organizational behaviour broadly speaking (AA1000 Accountability Principles Standard).

It is sometimes said that the AA1000 standards provide broad principles while GRI stipulates content. This is true to a degree and certainly AA1000 doesn't specify performance indicators, but a closer look at the principles may lead to some fine tuning of this statement. The AA1000APS has three principles – materiality, inclusivity and responsiveness, two of which also appear in the GRI Framework.*

Regarding materiality, GRI's new Technical Protocol on Applying the Report Content Principles, together with a close reading of the tests for the GRI Materiality Principle, now provide as much guidance on materiality for reporting as does AA's Five Part Materiality Test. For the principle of inclusivity, the AA1000 SES goes well beyond the guidance presently offered by GRI in explaining how to engage stakeholders. The AA1000 responsiveness principle has no counterpart in the GRI Framework and it is perhaps the most interesting and challenging of the AA1000 principles. For while GRI aims to accomplish accountability to stakeholders through the vehicle of reporting, the responsiveness principle is more interested in what happens next – what do organizations and their stakeholders do with the insights they have gained through reporting?

In summary, the AA1000 standards are about involving stakeholders in the work of responding to sustainability challenges. That shared work requires that all participants have reliable information about organizational performance and management, which is just what the GRI Framework delivers.

**this principle is called Stakeholder Inclusiveness in the GRI Framework.*

Your latest Annual (integrated) Report states that the AA1000 Principles, Assurance and Stakeholder Engagement standards inform Vancity's internal reporting processes, report content and external assurance engagement. Why? And what is your view on GRI producing more standalone guidance in these areas?

We find the AA1000 principles of Inclusivity, Materiality and Responsiveness to be very helpful as we work towards full integration of strategic planning, risk management and reporting processes.

AA1000 and GRI were developed to be compatible, and they were both developed through multi-stakeholder processes. As mentioned earlier, we feel both standards have their respective strengths.

We are not sure of the value in GRI also developing guidance in the areas that AA1000 covers already, and would prefer to see more collaboration between the two organizations rather than two competing standards. In addition, the International Integrated Reporting Committee (IIRC) is developing a framework for integrated reporting. The discussion draft clearly incorporates the AA1000 principles and references GRI for guidance on content. It will be interesting to see how both GRI and AA1000 evolve to align with the IIRC's work.

Have you seen any changes in the audiences for your non-financial disclosure in recent years?

Unfortunately we are unable to track exactly who reads our reports. We do know that by integrating our reports our readership increased. We expanded the audience for both our non-financial and financial disclosures, which is great as both pieces are an equally important part of Vancity's story. This helps to broaden the conversation and thinking of stakeholders who have traditionally been focused on one aspect of our performance.

GRI has now published the Technical Protocol – Applying the Report Content Principles. It features expanded guidance on materiality and stakeholder engagement.

How does the materiality and stakeholder guidance relate to, and differ from, the principles of Materiality, Inclusivity and Responsiveness in AA1000?

Vancity hosted an event in Vancouver to discuss and provide input into the draft Technical Protocol. In addition to outlining a workable process, it makes clear some important points about the need for senior leadership involvement and for good documentation of the materiality determination process.

We would prefer to see more collaboration between the two organizations rather than two competing standards.

The GRI Technical Protocol's underlying materiality principle is similar to AA1000, but in general it provides more practical guidance on how organizations can apply materiality to reporting. The Protocol mentions the need for a "wide-ranging radar to identify all relevant topics", including the GRI Aspects, and "other". To help identify "other" relevant topics, we use AA1000's five-part Materiality test.

The Protocol is less detailed about stakeholder engagement aspects, though it does assert the importance of stakeholder inclusivity. In this case the AA1000SES would be more helpful for practical guidance, as would the Stakeholder Engagement Manual, Volumes 1 & 2, c 2005 (produced by AccountAbility, UNEP FI and SRA).

Vancity has enormous experience in reporting with different frameworks. What is your projection for how corporate reporting will develop in the next few years?

Currently the field is still in flux and probably will be for some time. However, what's certain is there is greater recognition of the value of accountability and transparency, and a desire for organizations to take a much broader and longer-term view of their impacts and the value they create - or destroy. Organizations are realizing that understanding and responding to stakeholder concerns and expectations is a necessary part of running a business well.

We believe integrated reporting will be the way forward, but it is going to take some time. Vancity's committed to it, and we're participating in the IIRC's integrated reporting pilot program.

In the short-term, it will be interesting to see how the AA1000 and GRI standards will fit with the IIRC's integrated reporting framework, and more specifically where the G4 'standardization versus tailored reporting' debate will go. We think a hybrid approach is best: standardization where it makes sense, with additional flexibility to report on what is most material to your organization and stakeholders. One key trend which we believe will continue is more frequent, tailored and interactive reporting using the web and social media tools.

What role does your use of widely accepted reporting guidance play in assurance processes?

Auditors like frameworks so it certainly helps our external assurance providers if they have standards to assure us against. We focus assurance on the most material aspects of our reporting: we request third-party assurance on our adherence to the AA1000 principles and on the fair presentation of our key performance indicators (KPIs). For greenhouse gas emissions (one of our KPIs), we ask for assurance that this is prepared and reported in accordance with ISO 14604-1. This year we expanded the scope to include progress made against our public targets and commitments, because we know this content is of high importance to our members. In addition to AA1000AS, our assurance providers choose to use ISAE3000, a framework designed to guide accountants and assurance professionals when undertaking non-financial audits.

We prepare our reports in accordance with GRI to an A+ Level, for which we request a GRI Application Level check.

Readers appreciate our use of external assurance and standards, and these are some of the key reasons they tell us our reports are extremely credible. Other reasons include our stakeholder engagement practices and our transparent reporting on challenges as well as successes.

We feel that to be true to our Vision, values and business strategy, applying the same degree of rigor to managing our non-financial performance as we do our financial performance is the prudent and the right thing to do.

LINKS

To view Vancity's most recent report, visit: **www.vancity.com**

THE KNOWLEDGE SHARE PROJECT PORTFOLIO

Platforms

DIGITAL DISCLOSURE

Moving towards a fully digital format

How is new technology changing reporting?

CREDITS

Eduardo Sanzana, *Manager Environment, Territory and Community*

Danilo Mena, *Environmental and Community Specialist*

Paul Maidstone, *Environmental Specialist*

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DIGITAL DISCLOSURE

Moving towards a fully digital format

Research by _Radley Yeldar and GRI_ suggests that an increasing number of organizations are producing fully digital reports. According to the research, published in 2011, the pdf remains the predominant format for online sustainability reporting, with 55 percent of the sample using a pdf as their primary source of reporting. However, around 40 percent of reporters selected to use a digital format as their primary source of reporting. This has implications for cost, accessibility and even content.

Chilean mining company Codelco is an experienced digital reporter that has recently decided to start printing reports again, while continuing to develop an online platform for reporting.

When and why did you start doing digital reports?

We started moving towards an online format in 2003 when we began developing web based reports that accompanied the printed versions. In 2008 we stopped printing. At the beginning the decision was oriented towards reaching larger audiences and numbers of stakeholders, then also due to cost and environmental issues – we were printing up to 10,000 copies of the report in a given period, so the cost and carbon footprint were high. So we completely stopped printing copies and placed the report online, reducing these financial and environmental impacts. We haven't printed any copies at all in the last two years; the report is online in html/Flash format and available as a downloadable pdf file.

What was the process to change to the new format, and which reports did you look to for inspiration?

We gradually started improving web presentation by making browsing and content better. In terms of materiality and reported content we followed a regular process, following the GRI Guidelines. The corporate team gathered information from representatives in each division and the text was then condensed and checked before being sent to the external verification team prior to final design.

At first, when walking the digital path, we just continued as normal – the only step we didn't take was printing. We aimed at a book style report which was condensed into a pdf file, and then information was transferred into an equivalent web format. After receiving stakeholder feedback and experience in the online reporting process we began looking at how people approached the web – how people read content and their specific information needs. Last year, after an important shift in corporate governance, the Board got involved directly in the reporting process, adding three weeks to the normal timeline.

Last year the online version of the report was based on the way the PDF was set out, but this year we are focusing on how the report should be presented. We have usability tests planned to make sure the webpages and navigation make sense to our stakeholders and also index the content to be 'found' by the most common search engines and be readable on mobile devices.

SAP and Symantec both produce very good examples of digital reports. These reports allow information to be reached very easily and the approach is a truly multimedia experience, incorporating video, audio and content.

Has moving to a digital format changed the content or style of your report? What changes do you expect to make in the future?

Last year length wasn't a concern for us, but how we presented the report was. Content was decided on the basis of readability and searchability. In terms of the text, we found we didn't need as much connection between paragraphs or pages as we did in the book-style report.

An online report meant that more stakeholders were interested in the report and in reaching us with their feedback, which helped in deciding materiality and report content.

Changing the way we present our sustainability information was challenging. In the early versions of our online reports, we stuck with our original mindsets of a book style document, producing long, static texts. We have found that this isn't the best way – audiences are looking at and reading things differently, they need easy and fast access to the information. There has been a big change in our mindset as a result.

Interestingly, images are not as powerful online as in a printed report. We found that the information is more important to report users than presenting it in a beautiful way. We intend to start using video and audio in future reports. For example, last year there was a big earthquake here that had a huge impact on us. To illustrate this we are thinking about using video footage of activities, testimonials and picture galleries. We also want the next version of our report to be compatible with mobile devices and interact with most popular social networks.

We report on some Indicators every three months, and we have been doing this for the last three years. We publish the data on our website quarterly, and it is all gathered and assured at the end of the year. So the digital format has certainly helped us with quarterly sustainability reporting.

What are the financial implications of going digital?

The cost of printed reports versus digital format was not that different in the end. We saved some money but not too much. We saved on printing, but the design, which we outsourced, and the focus groups for usability testing were expensive. We always outsource the writing after our team has collated the information for the report. We have an in-house editorial team to check everything.

Printed reports can be posted to stakeholders, but this is not possible with digital reports. How did Codelco distribute its digital reports, and was this effective?

We distributed the report through an email campaign to people on our databases. We measured the number of hits and downloads the report had online – our main concern was that we were losing engagement with our local communities, so we also held local launches in some of those communities. We arranged computers in places like community centers so people could access the report online for a certain amount of time. The events were not as successful as we had hoped – some people went on the day of the launch, but very few visited the site after that. It is worth mentioning that Codelco has operations located throughout the north and center of

The Featured OS

Global Reporting Initiative™ Organizational Stakeholder 2011

CODELCO Orgullo de Todos

Codelco, the mining company of Chile

Codelco is the world's largest copper producer and the company that contributes the most to the Chilean economy, with sales totalling US$ 16.066 billion in 2010.

Its annual production is equivalent to 11% of the world's mine copper production, with 1.76 million tonnes of fine copper. It's also a major molybdenum producer, with an output of 21,677 metric tonnes during the same year.

A 100 % state-owned company, it has the largest known copper reserves and resources on the planet. The estimated useful life of its mining operations, at current output rates, is more than 70 years.

Key for Chile's development, Codelco has contributed more than US$ 79 billion to the State since 1971; of this amount, US$ 32.392 billion were delivered between 2006 and 2010. Codelco is also Chile's main exporter: during the last 39 years, it has generated one out of every four dollars of Chile's foreign trade.

Here, Eduardo Sanzana (Manager Environment, Territory and Community), Danilo Mena (Environmental and Community Specialist) and Paul Maidstone (Environmental Specialist) discuss reporting's digital future.

COMMENTARY

In the first Commentary for this chapter, Azadeh Sabour, Senior Sustainability Intelligence Consultant, Advisory Services at Sustainalytics, explains how digital formats can be used to reach the right audience:

Sustainalytics is in support of web-based sustainability reporting in place of printed reports for several reasons. Printed reports have a significant environmental footprint by way of their inputs, their production, and their waste/recycling management, not to mention that some of what is printed may not be useful to various stakeholders. Web-based reporting offers flexible opportunities for information sharing and interaction with stakeholders. For example, stakeholders can access web information at any time; dialogue between the company and globally dispersed stakeholders can be easily facilitated; companies can update information and news feeds in real-time; and, if done right, content can be enriched or customized to meet personal stakeholder needs.

At the same time, companies should be mindful that web-based content should not be overly complex or too layered, but rather should be user-friendly and easily searchable. Further, a downloadable pdf version of a full sustainability report should also be accessible so that stakeholders, such as investors and analysts, can easily find the information they are looking for. It is evident that Codelco has taken these considerations seriously, as it has provided an interactive digital platform for communicating material issues, and a downloadable report to search for specific content. Also of note is that some global companies may have stakeholders that do not have access to computers or the internet, thus, companies should ensure that all relevant stakeholder groups have access to information in some format.

COMMENTARY

In a second Commentary, Ben Richards, Senior Sustainability Consultant at Radley Yeldar, looks at digital reporting - the state of play:

While it hardly needs stating, the digital communication landscape has undergone a complete transformation in the eleven years since GRI published its first Guidelines.

The way we access and exchange information is changing; the UN's International Telecommunications Union suggests mobile connectivity is getting faster and more widespread, with an estimated 5.3 billion cellphone subscriptions in force at the end of 2010. Similarly, channels that were unimagined in 2000 are now part of daily life. If Facebook's 750m active users were a country, it would be the third largest in the world after China and India. Meanwhile, YouTube recorded 700 billion video views in 2010 and LinkedIn is still growing its network of members by around 1m per week.

While this might seem like a universe away from the online report, this new context raises a lot of interesting questions. How do we reach users that expect data in real time, and delivered on the move? How does an annual cycle meet the needs of an information-hungry audience, whose opinions of your business can be changed by a single Tweet? How do we reach the digitally excluded if all our efforts move online? And, crucially, what represents a good return on investment?

It's encouraging that leading reporters are addressing these challenges, and using online channels to blend the robust, methodological requirements of a reporting process against the demands of a faster, better-connected world. It's also heartening to see reporters bringing reporting and communication closer together: the recognition that high-quality disclosure can only change the world if it's relevant and accessible is a step in the right direction.

So who has the answers? Put simply, your audience. Understanding and prioritizing their needs almost always helps to cut through the increasing complexity of reporting, either on or off-line.

Chile, mostly in rural areas. Divisional launches sought to address the local authorities and local stakeholders. Each division customized their launches to engage their local stakeholders, always taking into consideration the corporate report but also going in depth in local contents and divisional performance.

Did the new digital format have an effect on the type and size of your audiences, and how are you dealing with that?

Last year's report was quite flashy, and we didn't think much about how long it would take to download. Evaluations suggest that spectacular reports are the most effective, but we think access to information and searchability are more important. Some stakeholders care about design, but this is not so important for new audiences. In fact, accessibility to the online version turned out to be a bigger issue than we had anticipated.

As mentioned before, online reports were read by a higher number of stakeholders who were giving their feedback. But although audiences were bigger, we were not reaching one of our most relevant stakeholders - local communities. This was also identified through perception studies we perform each year that enable us to identify what communities are thinking about us. To approach these communities we took a step back in our trend and went back to a printed version. We are studying to refine our approach further and develop hybrid reports that are appropriate for our stakeholders, addressing specific concerns and information requirements. These are supported by 'extended' online Content Indexes, in line with the GRI Reporting Guidelines.

Our process for engaging with and getting feedback from our stakeholders is mainly the same. For the last report, we gathered feedback mainly via email. For the next one, we are thinking about trying to include social media as new feedback channels.

What has been the main advantage, and disadvantage, of going digital?

Our environmental footprint was lower as we were no longer printing copies of the report. Also, last year's online report was very searchable (content is indexed and is open to be accessed by the main search engines, including Google), making it really easy for researchers to access and use information.

The negative side of our experience has been that the online report didn't reach all of our stakeholders. Our advice to those reporters considering moving to a digital format is to first identify which of your stakeholders are most important to you. In our case, this gives us a good balance: We're not leaving behind the online version, which we are area trying to improve, but we're taking a step back and printing copies again.

After deciding to take a step backwards and print this year's report, we wanted to find a way to compensate for the footprint this decision has on the environment. We contacted a local research center and evaluated the emissions that were generated throughout the printing process of the report and the launch event. These emissions were compensated through a number of projects managed by the research center. We are now reaching all our stakeholders and mitigating the impact we have while doing so.

LINKS

To view Codelco's latest report, visit: **www.codelco.com**

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Processes

CSR PERFORMANCE MANGEMENT

Rabobank and responsibility

How does effective reporting influence CSR management?

CREDITS
Olaf Brugman, *Rabobank*
Lyubov Alenicheva and Elena Topoleva, *Agency for Social information*
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CSR PERFORMANCE MANGEMENT

Rabobank and responsibility

Around the world, discussion about Corporate Social Responsibility is varied and open-ended. There are almost as many interpretations of good CSR management as there are organizations.

CSR is at the heart of many businesses. Others consider CSR practices to be irrelevant for their operating models, or even a smokescreen used to obscure negative impacts.

Rabobank has a long history of reflecting social concerns in its operations. How does Rabobank define good CSR performance management?
CSR performance should contribute added value to Rabobank's customers, and to the long term stability of the company, acting in a responsible way and contributing to sustainable development.

How is responsibility for CSR organized at Rabobank Group?
All group entities and group companies are responsible for integrating CSR objectives, activities and performance in their own business.

Each entity has a CSR coordinator responsible for coordinating CSR activities, and for reporting CSR performance at a corporate level. To steward the development of CSR policy and policy alignment between the entities, and to stimulate new initiatives, there is a corporate CSR department.

CSR performance management is based on quarterly and yearly CSR reporting by all entities.

How does Rabobank decide on the themes of its CSR policy? And any plans that you can share about changing or developing the themes?
Rabobank has set four strategic CSR themes. They were defined on the basis of business relevance, sustainability scenarios, exploration of social, ecological and economic trends in society, and on stakeholder dialogues.

Do Rabobank's cooperative origins have an impact on CSR policy today?
Yes, the cooperative governance structure ensures that major business decisions are discussed and ratified by local bank branches as well, which balances the different views and knowledge within the company.

It is considered vital for policy to influence, and feed back into, strategy and operations. Can you describe Rabobank's mechanism for doing this?
Business strategy development addresses CSR strategy as well, and vice versa. This is no different from normal strategic management.

Perhaps unusually, Rabobank does not hide its references to lobby groups like Greenpeace or trade unions – why?
As a privately owned company, Rabobank is stakeholder-oriented. With regard to CSR, the stakeholder orientation is explicitly built in to policy development. Stakeholder dialogue contributes to mutual understanding and inspiration. The sustainability standards adopted by Rabobank, such as the GRI Guidelines and AA1000APS, are explicitly built on the involvement of stakeholders in strategic choices and other material aspects of CSR. We also believe that co-operation and engagement are needed to making value chains more sustainable.

Can you give examples of challenges that Rabobank has overcome in implementing its CSR policy?
Alignment is one challenge. Once you embed CSR in the business process, different business units and core activities are likely to develop and implement CSR policies at different speeds and with different focal points, depending on the specific business context. Alignment then becomes necessary.

Employee engagement is another: CSR should not be an activity only of a limited group of specialized and designated CSR people.

CSR is related to risk management, innovation and compliance. To engage with clients on CSR issues is not only a matter of risk management, but also a matter of bringing knowledge and vision to the client. If you implement it this way, CSR can become a business quality, rather than a mere profile aspect.

Can you tell us about some specific challenges or choices faced by Rabobank due to its involvement with global food production and agribusiness?
The biggest challenge is to deal with reality.

COMMENTARY

This chapter's Commentary comes from Lyubov Alenicheva and Elena Topoleva from the Agency for Social Information:

From our perspective in Russia and Ukraine, there are limited industrial sectors where companies have recognized the CSR idea. Mostly, they represent extractive and financial industries. CSR is still not exactly defined in the corporate sector: a large number of companies still interpret CSR as a set of responsibilities to their employees plus the necessity to carry out some charitable activities.

Such narrow understanding means they see no need to change the management approaches they already have in place. Industrial companies use instruments inherited from the Soviet period; relationships with employees through trade unions, social benefits provided to employees, and local communities that enterprises historically support. Financial institutes usually see charitable activities as a Public Relations function.

Companies involved in non-financial reporting usually have a broader perception of CSR: it is understood as an instrument to ensure the sustainable development of the company, or the "triple-bottom approach to analyzing results."

Companies used to say that they applied the "non-integrated" CSR management approach. In most cases that means the CSR function is carried out by various managers from various departments. No specific CSR goals are defined by top management or Boards of Directors, and there is no planning of organization-wide activities. Each department defines its own goals and activities, with no connection with each other, and stakeholder engagement is still not integrated because it is driven by very different triggers.

The process of non-financial reporting is the only process that horizontally integrates CSR activities, or activities relevant from a CSR point of view, on an annual or bi-annual basis.

We don't see the situation with Russian companies as being "under-developed" or unique. We believe the CSR management model is the same in a majority of companies operating in other countries. Those known today as CSR leaders have better integrated and planned CSR management processes in place. But there is a danger that the CSR management model will remain a 'decorative' activity in the corporate sector unless economic incentives can be clarified and communicated.

There are two approaches: making the sustainable more mainstream, and making mainstream business more sustainable. We do both. We therefore are specific about business activities we cannot support, and also about what our position is with regard to value chains that still face considerable sustainability issues. Following a mere exclusion policy is easier in the sense that excluding yourself from activities in certain value chains also means you do not have influence for the better. However, this still leaves others with the problems.

We see this in supply chains like soy, palm oil and cotton, all three crops and value chains with considerable sustainability issues attached to them. However, reality is that switching to sustainable production methods takes a while - years. With producers and others in the value chain, we work on making these chains more sustainable, and follow the path of improvement, knowing that right now the situations are not yet as we would like them to be.

How does Rabobank turn strategic CSR goals into specific programs?
We have defined four core themes, and have asked the business lines to develop their market- and client-specific business objectives related to those themes, and harness them in the performance management cycle, Key Performance Indicators, and so on.

What experience of CSR issues, and involvement with them, does the average Rabobank employee have at local level?
Since CSR is embedded in core activities, virtually every Rabobank employee will be involved. First of all, sustainability is a core value in our code of conduct. Secondly, we stimulate each employee to identify and address ethical and sustainability dilemmas, and the staff involved in commercial activities will come across the full range of issues in very basic processes such as customer due diligence, business and contract decisions, product development, and so on.

How does Rabobank's sustainability focus impact its lending and investment management operations?
We have designed credit policies that address the basic sustainability issues in specific value chains that we apply in financing decisions. In investment management, we move from offering specialized sustainable niche products to making the whole range of investment products transparent and responsible, like by screening them for Environmental, Social and Governance

"The biggest challenge is to deal with reality. There are two approaches: making the sustainable more mainstream, and making mainstream business more sustainable. We do both."

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Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers banking, asset management, leasing, insurance and real estate services. in the Netherlands, Rabobank's home country, the bank offers financial services in both retail and wholesale markets; internationally its primary focus is on food and agribusiness. Rabobank has approximately 59,000 employees serving some 10 million customers in 48 countries.

Rabobank's origins lie in the 19th century loan cooperatives founded in the Netherlands, originally by people with no access to the capital market. Rabobank's mission statement emphasizes its commitment to a 'responsible approach to the development of wealth and prosperity.'

Rabobank states its general position on sustainability in its declaration of Values: *We believe that sustainable prosperity and well-being require careful nurturing of our natural resources and living environment. We respect the culture and traditions of the countries where we operate, insofar as these do not conflict with our own objectives and values. We aim to make a positive contribution to social, economic and environmental development in all our activities, always focusing on our clients' best interest.*

Rabobank bases its Corporate Social Responsibility policy on trends indentified in part through stakeholder dialogue. The policy focuses on responsible and sustainable behavior in financial services, the scarcity and efficient use of natural resources, climate change, and what Rabobank describes as 'the increasing need to organize production more sustainably.'

Rabobank joined the Organizational Stakeholder program in 2004. In this chapter, Olaf Brugman, CSR Manager, shares Rabobank's insight on CSR performance management.

factors, and by providing clients with transparent information on how sustainable investment products are, so that they can make informed choices.

We understand that Rabobank Group allows different areas of its business to develop their own operational CSR Key Performance Indicators – how, and why?
This is because different business lines operate in different business contexts: the value drivers in these businesses are different, clients and stakeholders might have different requirements and preferences, sustainability issues often differ across regions. So different business lines may take a different stance toward specific KPIs and goals. But they share a common basis by operating with the same business principles, by applying the same credit policies or investment policies, by a common code of conduct and so on. Within this aligned framework and context, business lines set the ambitions and KPIs they deem relevant and material.

Local branches of Rabobank have budget for purely local initiatives. Can you give us some examples of these?
They have established 'cooperative dividend' funds, that provide donations to strengthen local social cohesion and that support the inclusion of weaker social groups in their local livelihoods and communities. This means groups like children, the elderly, the physically or mentally disabled. Also sports and cultural initiatives are supported. What is important is that the donations must stimulate social cohesion in the operating area of the local bank branch. This strengthens the role of Rabobank with local communities. The cooperative funds are a form of giving some of our strength and knowledge to society.

How does Rabobank's CSR policy help it to factor in the needs of vulnerable or disadvantaged groups of people in its financial services provision?
Partly through the cooperative funds, and partly through specific services and products. For example, Rabobank may have part-time offices in community elderly homes, or mobile cash and service points in remote areas. We try to combine with the local social infrastructure and have a local presence. Rabobank has the widest network in terms of cashpoints and servicepoints. But you will find this also in the building of a speech function into our banking website which reads web content to visually impaired clients, courses in PC usage and internet banking for elderly clients, and large internet banking security tokens for visually or physically handicapped clients.

Rabobank may consider that it has a longer history of sustainability concerns than many other businesses. Do you feel that is true, and how would you evidence it?
We do not want to claim to have a longer history than others. However, it is true that we have come a long way. Our corporate sustainability department, for example, was founded about 14 years ago. Even more important are our roots as a cooperative for clients in the food and agrisector. This provides a particularly long term perspective on risks and financial stability.

LINKS

Read more about Rabobank's CSR policies at **www.rabobank.nl**

Global Reporting Initiative
PO Box 10039
1001 EA Amsterdam
The Netherlands

Tel: +31 (0) 20 531 00 00
Fax: +31 (0) 20 531 00 31

Further information on GRI and the Sustainability Reporting Guidelines may be obtained from:
www.globalreporting.org
info@globalreporting.org

GRI is a Collaboration Centre of the United Nations Environment Programme.

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